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# California Employer's GUIDE



## UNEMPLOYMENT INSURANCE (UI)

- The UI taxable wage limit for 1998 is \$7,000.
- Maximum weekly benefit award \$230.
- Please refer to page 59 for additional information.

## STATE DISABILITY INSURANCE (SDI)

- 1997 SDI tax rate 0.5 percent
- SDI taxable wage limit \$31,767
- Maximum weekly benefit award \$336.00.
- Please refer to page 72 for additional information.

## CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

- California PIT withholding deposit threshold \$400.00.
- Please refer to page 74 for additional information.

## NEW ADJUSTMENT FORM

- Use the Tax and Wage Adjustments Form (DE 678) to adjust/correct forms DE 88, DE 6, or DE 7.
- Please refer to page 57 for additional information.

## WAGE AND TAX STATEMENTS (W-2)

- Please do not send forms W-2 or W-2C to EDD or the Franchise Tax Board.
- You must still provide forms W-2 to your employees.
- Please refer to page 75 for additional information.

## ON THE INTERNET

- **EDD Home Page:** <http://www.edd.cahwnet.gov>
- Tax forms and publications can be accessed through the EDD Home Page.
  - Tax Forum, your opportunity to comment on new and revised tax forms before final version is approved.
  - Please refer to page 14.
  - Employment Training Panel Home Page: <http://www.etp.cahwnet.gov>
  - Labor Market Information Home Page: <http://www.calmis.cahwnet.gov>

## FEDERAL NEW EMPLOYEE REGISTRY (NER)

- California employers currently required to report new employees must continue to do so.
- By July 1, 1998, all employers will be required to report new employees.
- Please refer to page 36 for current NER reporting requirements.



Serving the People of California

## REQUISITION FOR EMPLOYMENT DEVELOPMENT DEPARTMENT PUBLICATIONS

Please see instructions on reverse side before completing this requisition form.

### FORMS

____ DE 1	Registration Form for Commercial Employers	____ DE 4P	Withholding Certificate for Pension or Annuity Payments
____ DE 1AG	Registration Form for Agricultural Employers	____ DE 6	Quarterly Wage and Withholding Report
____ DE 1GS	Registration Form for Governmental Organizations & Public Schools	____ DE 7	Annual Reconciliation Return
____ DE 1HW	Registration Form for Employers of Household Workers	____ DE 34	Report of New Employee(s)
____ DE 1NP	Registration Form for Nonprofit Employers	____ DE 88 All	Payroll Tax Deposit Coupon
____ DE 1P	Registration Form for Employers Depositing Only Personal Income Tax Withholding	____ DE 88 All I	Instructions for Preparing Payroll Tax Deposit Coupon
____ DE 3D	Quarterly Contribution Return (Voluntary Plan)	____ DE 678	Tax and Wage Adjustments Form
____ DE 4	Employee's Withholding Allowance Certificate	____ DE 938	Quarterly Adjustment Form
		____ DE 1870	Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding

### GUIDES AND BROCHURES

____ DE 38	Employment Determination Guide	____ DE 2320	Job Services, Unemployment/Disability Insurance
____ DE 44	California Employer's Guide	____ DE 2320/S/	Job Services, Unemployment/Disability Insurance (Spanish)
____ DE 45	Completed Forms Sample Book	____ DE 2515	State Disability Insurance
____ DE 159	Magnetic Media Brochure	____ DE 2515/S/	State Disability Insurance (Spanish)
____ DE 195	Employer's Bill of Rights	____ DE 2565	DI Elective Coverage
____ DE 195/S/	Employer's Bill of Rights (Spanish)	____ DE 8300	Magnetic Media Reporting Requirements for Quarterly Wage and Withholding Reporting Program
____ DE 340	Magnetic Media Reporting Requirements for New Employee Registry Program	____ DE 8684	Work Sharing Program
____ DE 573	Avoid Unplanned Tax Liabilities	____ DE 8714CC	Disability Elective Coverage Fact Sheet
____ DE 573/S/	Avoid Unplanned Tax Liabilities (Spanish)	____ DE 8829	Tax Guide for California Employer's of Household Workers
____ DE 1378F	Potential Liability		

### NOTICES

____ DE 35	Notice to Employees Regarding DE 4/W-4	____ DE 1857A	Notice to Employees
____ DE 1257	Notice to Employees of "Temporary Service" Employers	____ DE 1857A/S/	Notice to Employees (Spanish)

State of California  
Employment Development Department  
1733W Sports Drive, Suite B, Warehouse  
Sacramento, CA 95834

State of California  
Employment Development Department  
1733W Sports Drive, Suite B, Warehouse  
Sacramento, CA 95834

(PLEASE PRINT OR TYPE)

ATTN:

COMPANY NAME:

STREET

CITY

STATE

ZIP

(PLEASE PRINT OR TYPE)

ATTN:

COMPANY NAME:

STREET

CITY

STATE

ZIP

## INSTRUCTIONS FOR ORDERING FORMS AND PUBLICATIONS

You may obtain EDD forms by any of the methods listed below. We suggest you order no more than a six month supply since overstocking may result in using obsolete forms.

Telephone:      Ordering more than 25 forms - **(916) 322-2835** (24 hour automated system)  
Ordering less than 25 forms - Please contact your local ETC SO using the directory on page 8.

Fax:              **(916) 928-5910** (fax a copy of this requisition form)

Mail:              **Employment Development Department**  
**1733W Sports Drive Suite B**  
**Sacramento, CA 95834**

**A new requisition form will be sent to you with each shipment of forms and/or publications.**

Internet address: <http://www.edd.cahwnet.gov>

EDD's most frequently used forms are available on the Internet.

**NOTE:** Please indicate the quantity requested on the line preceding the form number if you fax or mail your order form.

The Payroll Tax Deposit (DE 88) must be reordered using the form enclosed in your DE 88 booklet. If you have not received a DE 88 coupon booklet, contact your nearest Employment Tax Customer Service Office.

The First Claim for Disability Insurance (DE 2501) must be ordered from your nearest State Disability Insurance Office. Please refer to the directory on page 9.

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1733W Sports Drive, Suite B  
Sacramento CA 95834

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# REQUISITION FOR EMPLOYMENT DEVELOPMENT DEPARTMENT PUBLICATIONS

Please see instructions on the reverse side before completing this requisition form.

## TAX BRANCH INFORMATION SHEETS

<p> <input type="checkbox"/> DE 231 Employment  <input type="checkbox"/> DE 231A Wages  <input type="checkbox"/> DE 231AA Amateur Athletic Officials  <input type="checkbox"/> DE 231B Automotive Repair Industry  <input type="checkbox"/> DE 231C Beauty and Barber Shops  <input type="checkbox"/> DE 231CF Commercial Fishing  <input type="checkbox"/> DE 231D Multi-State Employment  <input type="checkbox"/> DE 231E Restaurant and Hotel Industry  <input type="checkbox"/> DE 231EB Taxability of Employee Benefits  <input type="checkbox"/> DE 231EC Disability Insurance Elective Coverage (DIEC)  <input type="checkbox"/> DE 231EE Exempt Employment  <input type="checkbox"/> DE 231ES Employment Work Status Determination  <input type="checkbox"/> DE 231ETC Employment Tax Consulting  <input type="checkbox"/> DE 231F Temporary Services and Employee Leasing Industries  <input type="checkbox"/> DE 231FE Foreign Employment and Employment on American Vessels or Aircraft  <input type="checkbox"/> DE 231G Construction Industry  <input type="checkbox"/> DE 231H Manufacturing Industry  <input type="checkbox"/> DE 231I Services Industry  <input type="checkbox"/> DE 231J Waiver of Penalty Policy  <input type="checkbox"/> DE 231K Casual Labor  <input type="checkbox"/> DE 231L Domestic Services  <input type="checkbox"/> DE 231M Residential Care Facilities  <input type="checkbox"/> DE 231MW Misclassified Workers  <input type="checkbox"/> DE 231N Salesperson  <input type="checkbox"/> DE 231NP Nonprofit Entities  <input type="checkbox"/> DE 231P Withholding from Pensions, Annuities, and Certain Other Deferred Income  <input type="checkbox"/> DE 231PC Payments to Corporate Officers  <input type="checkbox"/> DE 231PD Product Demonstrators  <input type="checkbox"/> DE 231PH Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers </p>	<p> <input type="checkbox"/> DE 231PIT Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6)  <input type="checkbox"/> DE 231PS Personal Income Tax Withholding - Supplemental Wage Payments, Moving Expense Reimbursement  <input type="checkbox"/> DE 231PT Physical Therapist  <input type="checkbox"/> DE 231Q Employee FICA/SDI Taxes Paid by Employer  <input type="checkbox"/> DE 231R Third-Party Sick Pay  <input type="checkbox"/> DE 231SC Specialized Coverage  <input type="checkbox"/> DE 231SE Statutory Employees (Agent/Commission Drivers, Traveling/City Salespersons, Construction Workers, Homeworkers, Artists, and Authors)  <input type="checkbox"/> DE 231SEF Employment for the School Employees Fund  <input type="checkbox"/> DE 231T Tips  <input type="checkbox"/> DE 231TA Employment Tax Audit Process  <input type="checkbox"/> DE 231TC Taxicab Industry  <input type="checkbox"/> DE 231TM Telemarketing  <input type="checkbox"/> DE 231TR Tour Operator Industry  <input type="checkbox"/> DE 231V Election Campaign Workers  <input type="checkbox"/> DE 231W How to Reduce Your Personal Income Tax Liability  <input type="checkbox"/> DE 231Y Reporting New Employee Hiring  <input type="checkbox"/> DE 231Z California System of Experience Rating  <input type="checkbox"/> DE 631 Employment Fraud Task Force  <input type="checkbox"/> DE 631C Offers in Compromise  <input type="checkbox"/> DE 631P Payment Proposal  <input type="checkbox"/> DE 631R Interest on Refunds  <input type="checkbox"/> DE 631TL State Tax Lien </p>
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State of California  
Employment Development Department  
1733W Sports Drive, Suite B, Warehouse  
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**Sacramento, CA 95834**

**A new requisition form will be sent to you with each shipment of forms and/or publications.**

Internet address: **<http://www.edd.cahwnet.gov>**

EDD's most frequently used forms are available on the Internet.

**NOTE:** Please indicate the quantity requested on the line preceding the form number if you fax or mail your order form.

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<b>REQUISITION FORM .....</b>	<b>1</b>
<b>EDD OFFICE DIRECTORY</b>	
Employment Tax Customer Service Offices (ETCSOs).....	8
Employment Tax Branch Information - Sacramento Offices .....	9
EDD Internet Home Page Address.....	9
State Disability Insurance Offices .....	9
Employment Training Panel Offices .....	9
Job Service Offices.....	9
Unemployment Insurance Offices .....	9
<b>GENERAL INFORMATION</b>	
Introduction .....	11
Information and Assistance .....	11
Employer Not at Fault (Hold Harmless Provision) .....	14
Internet Address and Content Listing .....	14
Tax Forum on the Internet .....	14
Employment Tax Seminars.....	15
Forms and Publications .....	15
Where to Order California UI Code and Code of Regulations.....	15
Electronic Funds Transfer (EFT) .....	15
Magnetic Media Reporting Requirements/Options .....	16
Scannable Forms - Requirements .....	17
Lost Forms - What to Do.....	17
Federal Unemployment Tax Act (FUTA) Certification .....	18
<b>EMPLOYERS' BILL OF RIGHTS</b>	
Commitment.....	19
Office of the Taxpayer Rights Advocate.....	19
Employer Rights.....	19
<b>WHAT ARE EMPLOYMENT TAXES?</b>	
Employment Tax Chart	
Unemployment Insurance Tax.....	20
Employment Training Tax.....	20
State Disability Insurance Tax .....	20
California Personal Income Tax.....	20
<b>SCHEDULE OF EMPLOYER REQUIREMENTS .....</b>	<b>21</b>
<b>WHO IS AN EMPLOYER?</b>	
General Definition .....	26
Household Employers.....	26
Additional Information .....	26
<b>WHO IS AN EMPLOYEE?</b>	
General Definition .....	27
Common Law Employee or Independent Contractor.....	27
Additional Information .....	27
<b>EMPLOYER REGISTRATION</b>	
Purpose.....	28
When to Register .....	28
How to Register (Obtaining an Employer Account Number) .....	29
<b>EMPLOYER CHANGE OF STATUS</b>	
General Definition .....	30
Employer Change of Address.....	30
Purchase, Sale, Transfer or Entity Change .....	30
Successor Employer.....	30
Release of Buyer (Escrow Clearance) .....	30
Quitting Business.....	31
<b>WHAT ARE TAXABLE WAGES FOR PIT AND UI TAXES?</b>	
General Definition of Subject Wages .....	32
General Definition Personal Income Tax Wages.....	32
Difference Between Subject Wages and PIT Wages .....	32
Employment Taxes Due .....	32

**WHAT ARE TAXABLE WAGES FOR PIT AND UI TAXES? (cont.)**

Employers Withholding Personal Income Tax Only .....	33
How to Determine Your Tax and Withholding Requirements .....	33

**EMPLOYER OBLIGATIONS**

Notice and Pamphlets for Employees .....	34
Plant Closures and Mass Layoffs (WARN Act) .....	35
New Employee Registry .....	36
Record Keeping .....	37

**TAX FORMS MOST FREQUENTLY USED**

<b>Payroll Tax Deposit Coupon (DE 88): Overview and Sample</b> .....	38
Employee Payroll Withholding Deposits .....	39
Due Dates For Quarterly Payroll Tax Deposits .....	40
Tips For Preparing Payroll Tax Deposits .....	41
How to Calculate Taxable Wages .....	42
How to Complete a Payroll Tax Deposit .....	42
Common Errors to Avoid - DE 88 .....	46
Late Deposit, Penalty, and Interest .....	46
Penalty for Failure To Deposit Payroll Taxes .....	47
How to Correct a Prior Payroll Tax Deposit .....	47
Correcting PIT Reporting Errors .....	47
Lost Payroll Tax Deposit Coupon - Filing an Informal Report .....	48
<b>Quarterly Wage and Withholding Report (DE 6): Overview and Sample</b> .....	49
Due Dates for Quarterly Wage and Withholding Reports .....	50
Tips For Preparing Quarterly Wage and Withholding Reports .....	50
Common Errors to Avoid - DE 6 .....	52
How to Correct a Prior Quarterly Wage and Withholding Report .....	54
Lost Quarterly Wage and Withholding Report - Filing an Informal Report .....	54
Employers With Multiple Locations - How to Report Wages by Location .....	54
<b>Annual Reconciliation Return (DE 7): Overview and Sample</b> .....	55
Tips For Preparing Annual Reconciliation Returns .....	56
Year-End Payment Due .....	56
Common Errors to Avoid - DE 7 .....	56
How to Correct and Amend Annual Reconciliation Returns .....	56
Lost Annual Reconciliation Return - Filing an Informal Return .....	56
<b>Correcting Prior Payroll Tax Deposits, Quarterly Wage and Withholding Reports, and Annual Reconciliation Returns</b> .....	57
<b>Employer Account Statement, DE 2176</b> .....	58

**UNEMPLOYMENT INSURANCE (UI) PROGRAM**

Purpose .....	59
---------------	----

**UI TAX PROGRAM**

Experience Rated Method of Paying for UI Benefits .....	59
Reimbursable Method of Paying for UI Benefits .....	59
School Employees Fund Method of Paying for UI Benefits .....	59
Additional Information Regarding Experience Rated Method and Reimbursable Method .....	59
How the UI Tax Rate is Determined .....	60
Tax Rate Schedules .....	60
Individual Employer Tax Rates .....	60
Notice of Tax Rates .....	60
New Employer UI Tax Rate .....	60
Reserve Account Transfers .....	60
Data Exchange Alternatives: Magnetic Media .....	61
How to Appeal Your UI Tax Rate .....	61
Voluntary UI Contributions .....	61
Statement of Charges .....	61
How to Appeal Your Statement of Charges .....	62
Tips for Reducing Your UI Tax Rate .....	62

**UI BENEFIT PROGRAM**

How UI Benefits Are Administered .....	63
How Benefits Are Paid .....	63
Benefit Award .....	63
UI Benefit Qualifications .....	64
Qualifying UI Wages .....	64

<b>UI BENEFIT PROGRAM (cont.)</b>	
UI Eligibility Determination.....	65
Voluntary Federal Income Tax Withholding.....	65
The UI Claims Process.....	65
Notices to Employers.....	65
Data Exchange Alternatives: Electronic Data Interchange.....	65
Responding to Notices.....	65
Subsequent Benefit Year.....	66
Protest Time Limits.....	66
False Statement Penalty.....	66
Notices of Determination, Ruling, or Modification.....	67
Appeals Process Regarding UI Benefits.....	67
Administrative Law Judge.....	67
California Unemployment Insurance Appeals Board (CUIAB).....	68
Appeal Time Lines.....	68
Benefit Audits to Determine Fraud.....	68
Back Pay Award.....	69
Layoff Alternatives.....	69
Partial UI Claims.....	69
Worksharing Program.....	69
North American Free Trade Agreement.....	70
Trade Adjustment Assistance.....	70
<b>EMPLOYMENT TRAINING TAX (ETT)</b>	
History.....	71
Purpose.....	71
Who Should Apply?.....	71
How is ETP Different? (Employers, Labor, and Government Working Together).....	71
<b>STATE DISABILITY INSURANCE</b>	
Purpose.....	72
SDI Taxes - Who Pays for SDI Coverage?.....	72
Employee Benefits.....	72
Claim Notices.....	72
Voluntary Disability Insurance Plan for Employees.....	73
Employers and Self-Employed Benefits.....	73
Workers' Compensation Insurance.....	73
Additional Information.....	73
<b>CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING</b>	
Introduction - Wages Taxable for PIT Withholding.....	74
Marital Status, Withholding Exemptions and Allowances (DE 4 vs. W-4).....	74
Employer's Obligations for the DE 4 and Form W-4.....	75
Wage and Tax Statement (Form W-2).....	75
How to Determine Withholding Amounts (PIT Tables).....	76
Wages Paid to Nonresident Employees Of California.....	76
Additional PIT Withholding.....	76
Supplemental Wage Payments.....	76
Quarterly Estimate Payments.....	77
Reporting State Disability Insurance (SDI) On Form W-2.....	77
Magnetic Media Reporting of Forms W-2, W-2C and 1099R.....	77
Additional Information.....	78
<b>LABOR MARKET INFORMATION (LMI)</b>	
Labor Market Information Available On-Line.....	79
Information Only on the Internet.....	79
The LMI Bulletin Board System.....	79
What Kind of Information is Available on the Internet and BBS?.....	79
Multiple Location and/or Function Employers.....	79
<b>EMPLOYMENT SERVICES</b>	
California's Job Service.....	80
Job Training Partnership Act.....	80
<b>APPENDICES</b>	
Types of Employment.....	81
Types Of Payments.....	89
California Personal Income Tax Withholding Tables.....	96
<b>GLOSSARY</b> .....	127
<b>INDEX</b> .....	131



## EMPLOYMENT DEVELOPMENT DEPARTMENT OFFICE DIRECTORY

### EMPLOYMENT TAX CUSTOMER SERVICE OFFICES (ETCSOs)

The ETCSOs are located throughout California to provide services to the employer community at the local level.

You may contact or visit your local ETCSO for advice regarding your responsibilities as an employer related to the taxes for Unemployment Insurance, Employment Training, State Disability Insurance, and California Personal Income Tax withholding.

We can also assist you with forms and the filing of required reports. In addition, **Employment Tax Seminars** are provided on an as needed basis to help you understand your rights and responsibilities as an employer.

### OUT-OF-STATE EMPLOYERS, contact:

Sacramento..... 11093 Sun Center Drive, Suite 100, Rancho Cordova, 95670-6109 .....Telephone (916) 464-3502  
..... FAX (916) 464-3504

### IN-STATE EMPLOYERS, contact the ETCSO nearest you:

City	Address	Telephone	FAX
Bakersfield .....	1800 30 <sup>th</sup> Street, Suite 390, 93301 .....	(805) 395-2896 .....	(805) 395-2647
Chico.....	1370 Ridgewood Drive, Suite 10, 95973.....	(530) 895-4401 .....	(530) 895-4404
Downey .....	8280 Florence Avenue, 90240.....	(562) 923-1237 .....	(562) 904-2843
Escondido .....	240 West 2nd Avenue, 92025 .....	(760) 737-2200 .....	(760) 737-2228
Eureka .....	409 "K" Street, Suite 202, 95501 .....	(707) 445-6522 .....	(707) 441-5738
Fresno.....	1050 "O" Street, 93721 .....	(209) 445-5132 .....	(209) 445-5151
Laguna Hills.....	23151 Plaza Point Drive, Suite 140, 92653.....	(714) 768-6102 .....	(714) 855-5147
Long Beach .....	4300 Long Beach Boulevard, Suite 400, 90807 .....	(562) 428-0021 .....	(562) 422-6698
Los Angeles .....	4021 Rosewood Avenue, Suite 301, 90004-2932 .....	(213) 669-7670 .....	(213) 661-5073
Modesto .....	3340 Tully Road, Suite E-10, 95350-0851 .....	(209) 576-6205 .....	(209) 576-6203
Monterey .....	1900 Garden Road, Suite 160, 93940 .....	(408) 649-2902 .....	(408) 655-8938
Oakland.....	7700 Edgewater Drive, Suite 100, 94621-3017.....	(510) 577-2396 .....	(510) 577-7591
Orange.....	1855 West Katella Avenue, Suite 100, 92667.....	(714) 288-2601 .....	(714) 288-2634
Sacramento.....	11093 Sun Center Drive, Suite 100, Rancho Cordova, 95670-6109 .....	(916) 464-3502 .....	(916) 464-3504
San Bernardino .....	464 West Fourth Street, 4 <sup>th</sup> Floor, 92401 .....	(909) 383-4176 .....	(909) 383-7900
San Diego .....	3110 Camino Del Rio South, Suite 100, 92108-3830 .....	(619) 516-1920 .....	(619) 516-1930
San Francisco .....	1825 Sacramento Street, 4 <sup>th</sup> Floor, 94109 .....	(415) 929-5700 .....	(415) 929-5746
San Jose .....	904 Ruff Drive, 95110 .....	(408) 277-9400 .....	(408) 277-9453
San Mateo.....	951 Mariner's Island Boulevard, Suite 310, 94404 .....	(650) 358-4102 .....	(650) 358-4126
Santa Monica .....	914 Broadway, 90401 .....	(310) 576-6400 .....	(310) 395-6597
Santa Rosa .....	50 "D" Street, Room 415, 95404 .....	(707) 576-2094 .....	(707) 576-2601
Stockton.....	31 East Channel Street, Room 213, 95201-1890 .....	(209) 956-1438 .....	(209) 948-3633
Van Nuys .....	6150 Van Nuys Boulevard, Room 210, 91401-3384 .....	(818) 901-5208 .....	(818) 901-5605
Ventura .....	4820 McGrath Street, Suite 250, 93003 .....	(805) 654-4506 .....	(805) 677-2790
Visalia .....	3311 South Fairway Street, 93277-7777 .....	(209) 635-3220 .....	(209) 635-3235

At the following locations, customers will find self-service racks with tax forms, a mail drop, and a direct-line telephone to an ETCSO.

Capitola.....	2045 40th Avenue, Suite A, 95010 .....	(408) 464-6293
El Monte.....	9537 Telstar Avenue, Suite 115, 91731-2907 .....	(562) 923-1237
Marysville.....	511 12th Street, 95901 .....	(530) 741-4020
Pleasant Hill .....	3478 Buskirk Avenue, Suite 215, 94523-4345 .....	(510) 977-8265
Redding.....	2400 Washington Avenue, Suite 400, 96001-2002 .....	(530) 225-2205
Riverside.....	1180 Palmyrita Avenue, Suite B, 92507 .....	(909) 383-4176
San Luis Obispo .....	3220 South Higuera Street, Suite 102, 93401-6959.....	(805) 549-3512
Vallejo .....	1440 Marin Street, 94590.....	(707) 648-4040

Hearing-impaired persons can reach EDD by calling (800) 547-9565.

All EDD offices are open Monday through Friday from 8 a.m. until 5 p.m. Offices are closed on state holidays.

## EMPLOYMENT DEVELOPMENT DEPARTMENT OFFICE DIRECTORY

<b>EMPLOYMENT TAX BRANCH INFORMATION - SACRAMENTO OFFICES</b>	Obtain a State ID Number..... (916) 654-7041	Office of the Taxpayer Rights Advocate/ Problem Resolution Office..... (916) 654-8957
	Electronic Funds Transfer..... (916) 654-9130	
	Magnetic Media Reporting..... (916) 654-6845	
	New Employee Registry..... (916) 657-0529	Tax Rates and Benefit Charge Information.. (916) 322-0507
	Offers in Compromise..... (916) 464-2761	
	Forms Request (more than 25 copies) ..... (916) 322-2835	Underground Economy Operations Center.. (916) 464-1075 ext. 299

**EDD INTERNET  
HOME PAGE  
ADDRESS** <http://www.edd.cahwnet.gov>

<b>STATE DISABILITY INSURANCE OFFICES</b>	<u>City</u>	<u>Telephone</u>	<u>City</u>	<u>Telephone</u>
	Bakersfield .....	(805) 845-5500	Sacramento Non Industrial.....	(916) 227-0274
	Chico.....	(530) 895-4433	San Bernardino.....	(909) 383-4171
	Eureka.....	(707) 445-6568	San Diego.....	(619) 689-6700
	Fresno.....	(209) 445-5393	San Francisco.....	(415) 749-7400
	Glendale.....	(818) 551-2000	San Gabriel Valley .....	(818) 854-9600
	Long Beach .....	(562) 599-2461	San Jose .....	(408) 277-9499
	Los Angeles.....	(213) 580-3001	Santa Ana.....	(714) 558-4341
	Oakland.....	(510) 577-2300	Santa Barbara.....	(805) 568-1317
	Redding.....	(530) 225-2900	Santa Rosa.....	(707) 576-2095
	Riverside .....	(909) 369-0113	Stockton .....	(209) 948-7682
	Sacramento.....	(916) 227-0220	Woodland Hills .....	(818) 596-4100

<b>EMPLOYMENT TRAINING PANEL OFFICES</b>	<u>City</u>	<u>Telephone</u>	<u>City</u>	<u>Telephone</u>
	North Hollywood .....	(818) 505-6200	San Diego .....	(619) 686-1920
	Sacramento .....	(916) 327-5640	San Mateo .....	(650) 573-3830

**JOB SERVICE  
OFFICES** Please refer to the white pages of your telephone book. Local Job Service Office telephone numbers are listed in the State Government Offices section under "Employment Development Department, Job Service Information."

**UNEMPLOY-  
MENT  
INSURANCE  
OFFICES** Unemployment Insurance Offices in the state are served by six regional call centers. Calls to the phone numbers listed below are routed to an automated Interactive Voice Response System. This system provides a menu of services.

Employers should press (3) to receive the employer menu that provides Unemployment and Job Service information. If calling from a rotary phone, stay on the line and the call will be transferred to a representative. Fax numbers can also be obtained by calling the numbers listed below:

<u>City</u>	<u>Telephone</u>	<u>City</u>	<u>Telephone</u>
Alturas.....	(530) 233-4131	Chico .....	(530) 895-5627
Anaheim.....	(714) 978-7421	Chula Vista .....	(619) 482-6096
Antioch .....	(510) 778-8800	Colusa .....	(530) 458-7641
Auburn .....	(916) 823-4130	Compton.....	(310) 639-8180
Bakersfield .....	(805) 395-2600	Corona.....	(909) 734-4160
Barstow .....	(619) 256-8475	Crenshaw .....	(213) 744-2018
Berkeley .....	(510) 540-2833	Crescent City .....	(707) 464-2111
Bishop.....	(760) 873-7184	Danville.....	(510) 820-2614
Blythe.....	(760) 922-3171	Delano .....	(805) 721-3436
Calexico .....	(760) 357-3264	Diamond Springs/Placerville.....	(916) 642-5500
Campbell.....	(408) 369-3611	El Cajon.....	(619) 441-2300
Canoga Park .....	(818) 596-4444	El Centro .....	(760) 339-2700
Capitola/Santa Cruz.....	(408) 464-6260	El Monte .....	(818) 350-6500
Carson .....	(310) 834-3481	Elk Grove.....	(916) 227-0300

# EMPLOYMENT DEVELOPMENT DEPARTMENT OFFICE DIRECTORY

UNEMPLOY- MENT INSURANCE (cont.)	City	Telephone	City	Telephone
	Escondido.....	(760) 745-6211	Pleasant Hill .....	(510) 602-1520
	Eureka.....	(707) 445-6660	Pomona .....	(909) 593-4901
	Fairfield.....	(707) 428-2005	Porterville .....	(209) 781-5000
	Fontana .....	(909) 350-0101	Quincy .....	(916) 283-1400
	Fort Bragg .....	(707) 964-4081	Red Bluff .....	(530) 527-1835
	Fremont.....	(510) 794-3810	Redding .....	(530) 225-2180
	Fresno (North) .....	(209) 244-7600	Redlands.....	(909) 798-1793
	Fresno (West).....	(209) 445-5112	Richmond.....	(510) 237-5500
	Garden Grove.....	(714) 890-4300	Ridgecrest.....	(619) 446-2593
	Gilroy.....	(408) 842-2164	Riverside.....	(909) 782-3230
	Glendale .....	(818) 247-1321	Roseville .....	(916) 774-4000
	Grass Valley .....	(916) 272-8807	Sacramento.....	(916) 227-0300
	Greenfield.....	(408) 674-4029	Salinas.....	(408) 769-8030
	Hanford.....	(209) 584-9261	San Bernardino .....	(909) 383-4064
	Hayward .....	(510) 293-1771	San Diego .....	(619) 527-3100
	Hemet.....	(909) 652-7831	San Fernando .....	(818) 365-4637
	Hollister .....	(408) 637-8111	San Francisco (South).....	(650) 737-2662
	Hollywood (North) .....	(818) 509-5600	San Francisco (South).....	(415) 695-6500
	Huron .....	(209) 945-2261	San Francisco (North) .....	(415) 749-7599
	Indio .....	(619) 347-0761	San Jose.....	(408) 436-5600
	Inglewood .....	(310) 725-2100	San Luis Obispo.....	(805) 544-9050
	Lakeport .....	(707) 262-3100	San Mateo .....	(650) 341-6111
	Lamont .....	(805) 845-5010	San Rafael .....	(415) 454-0355
	Lancaster.....	(805) 945-6611	Santa Barbara .....	(805) 568-4294
	Lincoln Heights .....	(213) 221-4195	Sanger .....	(209) 875-7501
	Lodi .....	(209) 333-6960	Santa Ana .....	(714) 558-4294
	Long Beach .....	(562) 599-5841	Santa Maria.....	(805) 922-8373
	Los Angeles (Crenshaw) .....	(213) 744-2018	Santa Monica .....	(310) 576-6430
	Los Angeles (East).....	(213) 887-3970	Santa Rosa .....	(707) 576-2090
	Los Angeles (Central) .....	(213) 744-2244	Simi Valley .....	(805) 582-8709
	Los Angeles (South Central) .....	(213) 418-1335	Sonoma .....	(707) 996-4933
	Los Angeles (West).....	(310) 280-2830	Sonora .....	(209) 532-6941
	Los Banos.....	(209) 826-0409	South Gate.....	(213) 566-8993
	Madera .....	(209) 673-5141	South Lake Tahoe .....	(916) 542-5441
	Mammoth Lakes .....	(760) 934-6825	Stockton.....	(208) 948-7278
	Manteca.....	(209) 825-1350	Sunnyvale .....	(408) 736-9031
	Marysville.....	(530) 741-4216	Susanville.....	(530) 257-2127
	Mendota .....	(209) 655-4953	Tahoe City.....	(916) 581-6700
	Merced .....	(209) 726-5400	Torrance .....	(310) 782-2100
	Mission Viejo.....	(714) 588-3900	Tracy.....	(209) 833-1015
	Modesto.....	(209) 576-6001	Turlock.....	(209) 634-4927
	Monterey .....	(408) 649-2922	Ukiah .....	(707) 463-4703
	Napa.....	(707) 226-9947	Vallejo .....	(707) 648-4020
	Norwalk .....	(562) 868-3713	Victorville.....	(619) 241-8100
	Oakdale .....	(209) 848-4226	Visalia .....	(209) 636-7300
	Oakland.....	(510) 286-0683	Wasco.....	(805) 758-3055
	Oceanside .....	(760) 754-5080	Watsonville.....	(408) 724-7545
	Ontario .....	(909) 983-5821	Weaverville .....	(530) 623-6701
	Oroville .....	(530) 538-2227	Weed .....	(530) 938-1852
	Oxnard .....	(805) 485-5665	West Covina.....	(626) 962-7011
	Palm Springs .....	(619) 327-8331	Whittier .....	(562) 945-3041
	Pasadena .....	(626) 403-8400	Woodland.....	(916) 668-3100
	Paso Robles .....	(805) 238-4842	Yreka .....	(530) 842-4317
	Petaluma .....	(707) 769-5650	Yucca Valley .....	(619) 365-8381

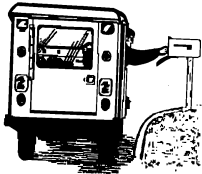
**INTRODUCTION**

The Employment Development Department (EDD) administers employment tax law according to the California Unemployment Insurance Code (CUIC). This guide contains the following information to help you comply with California's employment tax laws:

- Unemployment Insurance (UI)
- Employment Training Tax (ETT)
- State Disability Insurance (SDI)
- California Personal Income Tax (PIT) Wages
- California Personal Income Tax (PIT) Withholding
- Withholding requirements within the provisions of the CUIC
- General information on EDD services for employers and employees

To simplify California PIT withholding requirements for employers, California follows federal forms, procedures, and requirements whenever possible. However, state PIT tables and other computation formulas differ because the California PIT rates are different from federal rates.

We are striving to make this guide easier for you to read and understand. This guide provides general information that applies to most employers and refers to other publications with more detailed information that may be requested as needed. We would like your ideas on how we can improve this publication. Please send your comments and suggestions to:

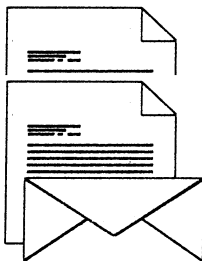


**Employment Development Department  
Tax Support Division  
Marketing and Publications Office, MIC 93  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**Fax: (916) 654-6969**

**INFORMATION  
AND ASSISTANCE**

If you have any questions regarding the following topics, please contact the designated agency or office:



TOPIC	DESCRIPTION	CONTACT
California PIT Withholding Tables*	<p>California PIT withholding tables and information on acceptable computer software programs</p> <p><b>NOTE:</b> Be sure to notify Franchise Tax Board (FTB) that you would like to talk to someone about the PIT Withholding Tables.</p>	<p>Franchise Tax Board Statistical Research Bureau MS B26 P.O. Box 1468 Sacramento, CA 95812-1468</p> <p>FTB Tax Practitioner Support Unit: (916) 845-7057</p> <p>F.A.S.T.** number: 1-800-338-0505 (recording)</p> <p>Assistance 1-800-852-5711 (operator)</p> <p>Hearing-Impaired: 1-800-822-6268 (TDD)</p>

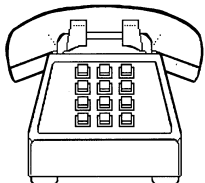
(table continued)

\*Please DO NOT contact the Employment Tax Customer Service Offices.

\*\*F.A.S.T. - Fast Answers About State Taxes.

## GENERAL INFORMATION

### INFORMATION AND ASSISTANCE (table cont.)



TOPIC	DESCRIPTION	CONTACT
Employment Payroll Tax Rates	<p><i>A Notice of Contribution Rates and Statement of UI Reserve Account</i> (DE 2088) is mailed annually by December 31 to notify employers of their UI, ETT, and SDI tax rates.</p> <p><b>NOTE:</b> Employers have the right to protest, then appeal any UI notice.</p>	<p>Employment Development Department Contribution Rate Group, MIC 4 P.O. Box 826880 Sacramento, CA 94280-0001</p> <p>(916) 322-0507 (24-hour automated telephone system)</p>
Electronic Funds Transfer (EFT)	The EFT program offers ease and convenience to employers by allowing the electronic transfer of tax payments.	<p>Employment Development Department EFT Unit, MIC 15 P.O. Box 826880 Sacramento, CA 94280-0001</p> <p>Telephone: (916) 654-9130 Fax: (916) 654-7441</p>
Employee eligibility to work*	Under federal law, <sup>1</sup> employers are required to verify that every individual (citizen, national, or alien) whom they hire has the right to work in the U.S. The U.S. Immigration and Naturalization Service (INS) requires you to complete Form I-9 for each employee hired to verify employment eligibility.	<p>U.S. Immigration and Naturalization Service</p> <p>Request a copy of the "Handbook for Employers: Instructions for Completing Form I-9." Refer to the white pages of your telephone book for listings under: "Government Listings - United States Government - Immigration and Naturalization Service."</p>
Employer requirements (also refer to "Schedule of Employer Requirements" on page 21).	<p>Questions regarding:</p> <ul style="list-style-type: none"> <li>• Employer Status</li> <li>• Employer Registration</li> <li>• New Employee Registry</li> <li>• Employee/Independent Contractor Status</li> <li>• California PIT Wages</li> <li>• UI, DI Wages</li> <li>• UI Tax</li> <li>• ETT</li> <li>• SDI Withholding</li> <li>• California PIT Withholding</li> </ul>	<p>Employment Development Department Employment Tax Customer Service Office (ETCSO)</p> <p>A directory of these offices is provided on page 8.</p>

(table continued)

\*Please DO NOT contact the Employment Tax Customer Service Offices.

<sup>1</sup> Immigration Reform and Control Act of 1986.

## GENERAL INFORMATION

### INFORMATION AND ASSISTANCE (table cont.)

TOPIC	DESCRIPTION	CONTACT
Workers' Compensation Insurance*	If you have employees, you are required by law to have workers' compensation insurance coverage. Failure to do so is a crime and may result in penalties and closure of your business.	Your insurance agent  OR State Compensation Insurance Fund (800) 892-6000
Employment Training Panel*	A program to fund training to meet the needs of California employers for skilled workers.	Employment Training Panel Offices are located in: San Diego, North Hollywood, San Mateo, and Sacramento. Please refer to the directory on page 9.  Fax: (916) 327-5260 Internet Home Page: <a href="http://www.etp.cahwnet.gov">http://www.etp.cahwnet.gov</a>
Job Training Partnership Act*	A program to establish job training and other services to prepare youth and adults for employment, improve educational skills, and decrease welfare dependency.	Employment Development Department Job Training Partnership Division MIC 69 P.O. Box 826880 Sacramento, CA 94280-0001  Telephone: (916) 654-7110
Job vacancy listings and recruitment services*	All questions regarding EDD job services	The EDD Job Service office nearest you. Please refer to the white pages of your telephone book. Local Job Service telephone numbers are listed in the State Government Offices section under Employment Development Department, Job Service information.
New Employer Seminars	Seminars for new employers are provided by most Employment Tax Customer Service Offices. Seminar topics include reporting requirements, how to complete EDD tax forms, and independent contractor and employee issues.	Employment Development Department Employment Tax Customer Service Office  A directory of these offices is provided on page 8.
Standard Industrial Classification (SIC) Code	A four-digit code that EDD assigns to all registered employers to designate their business activity in California. (The SIC Code is not the same as the manufacturer's code assigned by FTB.)	Mail or fax your request to:  Employment Development Department Labor Market Information Division Coding Unit, MIC 57 P.O. Box 1881 Sacramento, CA 95812-9848  Fax Number: (916) 262-2350

(table continued)

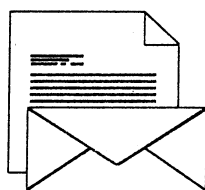
\*Please DO NOT contact the Employment Tax Customer Service Offices.

## GENERAL INFORMATION

### INFORMATION AND ASSISTANCE (table cont.)



TOPIC	DESCRIPTION	CONTACT
State Disability Insurance (SDI) benefits*	SDI benefits provide temporary income to California workers who are unable to work because of a non-job related illness or injury.	Employment Development Department State Disability Insurance office  A directory of these offices is provided on page 9.
Unemployment Insurance (UI) benefits*	UI benefits provide temporary income to unemployed workers who meet the UI eligibility requirements.	Employment Development Department Unemployment Insurance office  A directory of these offices is provided on page 9.
Employer rights during the employment tax assessment and collection process	Employer rights are protected by the Problem Resolution Office (PRO) during the employment tax assessment and collection process. The assistance of this office may be requested after first attempting to resolve the issues with the assigned caseworker and office manager.	Employment Development Department PRO, MIC 93 P.O. Box 826880 Sacramento, CA 94280-0001  (916) 654-8957  FAX: (916) 654-6969



### EMPLOYER NOT AT FAULT (HOLD HARMLESS PROVISION)

If it can be substantiated that incorrect instructions were given to an employer by EDD staff, the Department's current policy is not to penalize the employer for failure to comply with the law. If management in the office you have been talking to cannot resolve your questions, please call the Problem Resolution Office for further assistance at (916) 654-8957.

### INTERNET ADDRESS AND CONTENT LISTING

General information about EDD's many diverse programs is available to you on the Internet. Please use the following address to access EDD's home page: <http://www.edd.cahwnet.gov>

The following is currently available on EDD's Internet site:

- Employer registration information and form
- Tax forms
- Tax filing information
- Tax Forum
- New statutes and regulations
- Unemployment and disability insurance eligibility information
- Questions and answers for each program (UI, SDI, ETT, and PIT)
- Locations of offices
- Statistical information on California's labor force
- Census data

### TAX FORUM ON THE INTERNET

The Tax Forum is sponsored by the Tax Branch Marketing and Publications Office. It provides an opportunity for employers to share their ideas and concerns about new and proposed forms and publications with EDD through the Internet 24 hours a day. You can find the Tax Forum by selecting For Employers on the EDD home page at :

<http://www.edd.cahwnet.gov>

\*Please DO NOT contact the Employment Tax Customer Service Offices.

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## GENERAL INFORMATION

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### EMPLOYMENT TAX SEMINARS

EDD is here to help employers! We've designed Employment Tax seminars especially for you! These seminars will help you to:

- Understand who, what, how, and when to report state employment taxes
- Avoid common pitfalls and costly mistakes
- Control unemployment insurance costs
- Learn the differences between independent contractors and employees
- Discover services and resources, available at no additional cost

Employment Tax seminars are regularly presented at locations throughout the State of California. To find out more about a seminar near you, call one of these ETCOs:

Downey (562) 923-1237

Laguna Hills (714) 768-6102

Sacramento (916) 464-3502

San Jose (408) 277-9400

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### FORMS AND PUBLICATIONS

For your convenience in ordering departmental forms, information sheets, brochures, and/or guides, a Requisition for EDD Forms and Publications is provided on page 1 of this guide. Many of these items may also be requested through your local Employment Tax Customer Service Office (see directory on page 8.)

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### WHERE TO ORDER CALIFORNIA UNEMPLOYMENT INSURANCE (UI) CODE AND CODE OF REGULATIONS

The *California UI Code* may be purchased by contacting:

**Employment Development Department  
Business Operations Planning and Support  
Division, MIC 62  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**(916) 654-6949**

The *Title 22, California Code of Regulations* may be purchased by contacting:

**Barclays Law Publishers  
P.O. Box 3066  
San Francisco, CA 94080-3006**

**(800) 888-3600 or FAX (650) 244-0408**

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### ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Funds Transfer is an electronic method for remitting all of your SDI/PIT and UI/ETT payments. You transfer funds from your bank account, with payment information, to the state's account in one simple transaction. In addition, EFT eliminates the need to file a *Payroll Tax Deposit* (DE 88) coupon. The following is a brief overview of the EFT program:

- **MANDATORY EFT PARTICIPATION** - EDD reviews employer accounts annually to determine which employers meet the requirements for mandatory EFT filing. If your average (per payment) deposit for SDI and PIT is \$20,000 or more for the prior state fiscal year (July 1 to June 30), you are required to pay all SDI and PIT deposits by EFT, regardless of the dollar amount of your current deposits. Employers may find it convenient to pay UI and ETT payments using EFT, although they are not required to do so. Employers who meet the requirements for the first time will be notified by October 31, prior to the year of EFT participation. Employers who have met the requirement in the preceding calendar year will not be issued a new notice.
- **VOLUNTARY EFT FILING** - Employers who do not meet the mandatory EFT requirement are encouraged to file by EFT on a voluntary basis.
- **PAYMENT OPTIONS** - The state of California offers two payment methods. They are the Automated Clearing House (ACH) debit and the ACH credit methods. Taxpayers who select the ACH debit method report their payment information to the state's data collector by telephone or personal computer (PC) with modem. The ACH credit filers report their payment information directly to their bank, usually by PC or a bank program offered by their bank. ACH CREDIT FILERS PLEASE NOTE: Effective January 1, 1998, the state's bank for processing EFT transactions changed to Union Bank of California. Be sure your bank is using the new EDD Union Bank account Number and routing transit number for your EFT transactions.



## GENERAL INFORMATION

### ELECTRONIC FUNDS TRANSFER (EFT) (cont.)

- **TIMELINESS** – The settlement date (the date your funds are credited to the state's account) determines the timeliness for EFT transactions. A timely settlement date is generally considered to be the next banking day following your deposit due date. Quarterly payments must settle into the state's account the next day following the delinquent date for the quarter.
- **EFT INFORMATION** – To obtain information about EDD's EFT program and how to register for EFT filing, please call the EFT Unit at (916) 654-9130.

### MAGNETIC MEDIA REPORTING REQUIREMENTS/ OPTIONS



Employers who are required to file their federal wage reports using magnetic media returns (250 or more employees) must also file their *California Quarterly Wage and Withholding Report* (DE 6) on magnetic media.

All employers with less than 250 employees are encouraged to file by magnetic media as it significantly reduces the processing costs and time needed to record wage and tax information. Magnetic media virtually eliminates the possibility of errors resulting from manual processing.

Employers unable to comply with this requirement may request a *Waiver Request From Filing Quarterly Wage and Withholding Reports (DE 6) on Magnetic Media* (DE 3086M). The waiver is filed once each year and must be postmarked by March 31 each year. Employers will be notified when the waiver has been approved or denied. Approved waivers are valid for six months, or longer at the discretion of the Director. Employers who receive a waiver are required to file *Quarterly Wage and Withholding Reports* (DE 6).

Tax preparers and payroll services may also file their client's DE 6 reports on magnetic media (first obtain a *Quarterly Wage and Withholding Reporting Program* [DE 8300] booklet using the requisition form on page 1). To be eligible for magnetic media reporting of DE 88 and *Annual Reconciliation Return* (DE 7), tax preparers must report a minimum of 250 California employers. The following magnetic media reporting methods are acceptable:

- 9 track magnetic tape
- 5 1/4 inch diskette
- 3480 and 3490 tape cartridges
- IBM-compatible 3480 tape cartridge
- 3 1/2 inch diskette

The EDD also accepts the Interstate Conference of Employment Security Agencies (ICESA) format, a uniform quarterly wage-reporting format for multi-state employers.

For further information on magnetic media reporting, or to sign up for a reporting method, contact EDD or the Franchise Tax Board at the addresses and telephone numbers listed below:

TYPE OF REPORT	CONTACT
Magnetic Media Programs for employers and tax preparers: <ul style="list-style-type: none"> <li>• <i>Quarterly Wage and Withholding Report</i>, DE 6</li> <li>• <i>Report of New Employees</i>, DE 34</li> </ul>	Employment Development Department Magnetic Media Coordinator, MIC 15 P.O. Box 826880 Sacramento, CA 94280-0001 (916) 654-6845
Magnetic Media Programs for tax preparers only: <ul style="list-style-type: none"> <li>• <i>Annual Reconciliation Return</i>, DE 7</li> <li>• <i>Payroll Tax Deposit</i>, DE 88</li> </ul>	
Information returns: <ul style="list-style-type: none"> <li>• Various federal 1099 forms</li> </ul>	Franchise Tax Board Magnetic Media Coordinator P.O. Box 942840 Sacramento, CA 94240-6090 (916) 845-3778

(table continued)

## GENERAL INFORMATION

### SCANNABLE FORMS - REQUIREMENTS

The EDD uses an Optical Character Recognition (OCR) system to record the information reported by employers on payroll tax deposits and wage and withholding reports. The OCR system captures the data more effectively and accurately than when information is manually key entered. The *Payroll Tax Deposit* (DE 88), *Quarterly Wage and Withholding Report* (DE 6), and *Annual Reconciliation Return* (DE 7) forms have been designed specifically for this purpose.

**NOTE:** Scannable forms must conform to the specifications provided by the Tax Branch's Alternate Forms Coordinator. Your forms must be tested and approved by the Alternate Forms Coordinator prior to use.

Preprinted DE 88, DE 6 and DE 7 forms are provided without charge. It is not acceptable to use a photocopy or an unapproved computer printout instead of the DE 88, DE 6, or the DE 7<sup>2</sup>.

For specifications and approvals of alternate forms, contact:

**Employment Development Department  
Alternate Forms, MIC 23  
P.O. Box 826880  
Sacramento, CA 94280-0001  
  
(916) 654-9814**

### LOST FORMS- WHAT TO DO

If forms are lost or damaged, request a replacement form from your local ETC SO (see directory on page 8.) If reporting forms cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges. An Informal DE 88, DE 6, or *Annual Reconciliation Return* (DE 7) should reflect the following information:

DE 88	DE 3D	DE 6	DE 7
Employer Account Number	Employer Account Number	Employer Account Number	Employer Account Number
Business Name	Business Name	Business Name	Business Name
Business Address	Business Address	Business Address	Business Address
Payroll Date	Payroll Quarter	Payroll Quarter	Payroll Year
UI Taxes (if end of quarter payment)	UI Taxes	Employee Social Security Number	Total UI Taxes for 1998
Employment Training Tax (if end of quarter payment)	Employment Training Tax	Employee Full Name (Jane D Jones)	Total Employment Training Tax for 1998
SDI Withheld	SDI Withheld	Individual Employee Subject Wages	Total SDI Withheld for 1998
Total PIT Withheld	Total PIT Withheld	Individual Employee PIT Wages	Total Subject Wages for 1998
Payment Quarter (quarter and year that wages were paid)	Type or write "Voluntary DI Plan" on the informal report	Individual Employee PIT Withheld	Total UI/ETT Taxable Wages for 1998
Payment Type (next-day banking, semi-weekly, monthly, and quarterly)		Subtotals per page	Total SDI Taxable Wages for 1998
		Grand Totals	Total PIT Withheld for 1998

(table continued)

<sup>2</sup> Section 1088-1(a), Title 22, California Code of Regulations

## GENERAL INFORMATION

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### LOST FORMS- WHAT TO DO (cont.)

Sign the informal report or return and mail the form and any payment due to:

**Employment Development Department  
P.O. Box 826847  
Sacramento, CA 94247-0001**

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### FEDERAL UNEMPLOYMENT TAX ACT (FUTA) CERTIFICATION

The Federal Unemployment Tax Act (FUTA) provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this "dual" system, you are subject to the payroll tax requirements of both federal and state governments. You are required to file and pay unemployment tax reports with EDD. You are also required to file Federal Form 940 to report total taxable UI wages and pay any amount due for federal unemployment tax.

On an annual basis, the IRS and EDD compare amounts reported on Form 940 and Lines C and D2 of your DE 7 reported to EDD. When an "out of balance" condition exists, a reconciliation must be made or a levy may be issued by either EDD or the IRS.

If you have any questions regarding the FUTA Certification process, please contact EDD, FUTA Certification Unit, at (916) 654-8545.

#### **DID YOU KNOW?**

If you need advice or assistance to complete your Payroll Tax Deposit (DE 88), Quarterly Wage and Withholding Report (DE 6), or Annual Reconciliation Return (DE 7) contact the Employment Tax Customer Service Office nearest you. (refer to the directory on page 8)

**COMMITMENT**

The Employment Development Department (EDD) is committed to applying the employment tax laws of the State of California in an equitable and impartial manner. The Tax Branch of EDD developed the following information to inform you of your rights during the employment taxation process.

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**OFFICE OF THE  
TAXPAYER  
RIGHTS  
ADVOCATE**

The EDD's Tax Branch has established the Office of the Taxpayer Rights Advocate. The Taxpayer Rights Advocate is responsible for providing a clear, consistent focus on protecting the rights of the taxpayer.

Incorporated within the Office of the Taxpayer Rights Advocate is the Problem Resolution Office (PRO), which is responsible for protecting the rights of taxpayers during any phase of the employment tax assessment and collection process, while also protecting the interests of the state.

If you are unable to resolve an employment tax problem with an EDD representative, the supervisor, and the office manager, you may contact the PRO for assistance.

The PRO will review the issues and facts of your case to ensure that your rights have been protected. The PRO will also work to facilitate a resolution to your problem. You may contact PRO at:

**Employment Development Department  
Office of the Taxpayer Rights Advocate, MIC 93  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**Telephone: (916) 654-8957  
Fax: (916) 654-6969**

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**EMPLOYER  
RIGHTS**

As an employer, you have the right to:

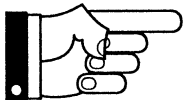
- Courteous and timely service from EDD employees.
- Expect that information maintained by EDD be kept confidential and not published or made available for public inspection. However, in certain instances, the law requires this information to be shared with other governmental agencies. When those instances occur, EDD closely follows the law to protect your rights to confidentiality.
- Call upon EDD for accurate information and assistance and to have all your questions answered.
- Receive a clear and accurate account statement if EDD believes you owe a tax.
- Request an extension for up to 60 days (the law provides that EDD may grant 60 day extensions where good cause is shown for a delay.)
- An impartial audit and a full explanation of our audit findings if your business is selected for an audit.
- Discuss an issue(s) with the EDD representative, supervisor, and office manager if you disagree with an action taken by EDD.
- Appeal certain actions to the California Unemployment Insurance Appeals Board.

For a complete explanation of your rights, use the order form on page 1 to request the pamphlet *Employer Bill of Rights* (DE 195) in English or Spanish.

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## WHAT ARE EMPLOYMENT TAXES?

EMPLOYMENT TAX CHART				
	UNEMPLOYMENT INSURANCE	EMPLOYMENT TRAINING TAX	STATE DISABILITY INSURANCE	PERSONAL INCOME TAX
<b>WHO PAYS</b>	Employer	Employer	Employee (employer withholds SDI from employee wages)	Employee (employer withholds PIT from employee wages)
<b>TAXABLE WAGES</b>	First \$7,000 of subject wages per employee, per year	First \$7,000 of subject wages per employee, per year	First \$31,767 of subject wages per employee, per year	Please refer to PIT withholding tables on pages 96 through 126.
<b>TAX RATE</b>	Changes each year are based on an employer's UI experience. The EDD notifies employers of new rates each December. New employers pay at a rate of 3.4 percent for the first three tax years.	Set by statute at 0.1 percent of taxable wages	Set by the California State Legislature at 0.5 percent of SDI taxable wages per employee, per year	California PIT is withheld based on the employee's W-4 or DE 4
<b>MAXIMUM TAX</b>	\$378 per employee, per year. (Calculated at the highest UI tax rate of 5.4 percent.)	\$7 per employee, per year	\$158.84 per employee, per year	No maximum
<b>FOR MORE INFORMATION, REFER TO PAGES</b>	39 40 60	39 40 71	39 40 72	39 40 96



**NOTE:** Some types of employment are exempt from employment taxes. Please refer to Types of Employment on page 81. Certain types of wages/benefits are exempt from employment taxes. Please refer to Types of Payments on page 89.

## SCHEDULE OF EMPLOYER REQUIREMENTS

EVENT	REQUIREMENTS	FORM TITLE/NUMBER	PAGE
Hire employee	Employee completes the Internal Revenue Service form for federal income tax withholding.	<i>Employee's Withholding Allowance Certificate (W-4)</i>	74
	Employee completes the DE 4 form for state PIT withholdings if status or allowance(s) are different from federal W-4.	<i>Employee's Withholding Allowance Certificate (DE 4)</i>	74
	Beginning July 1, 1998, all industries are required to report new hires to EDD within 20 days of the start-of-work date.	<i>Report of New Employee(s) (DE 34) (preferred method)</i>	36
	Provide a copy to employee(s) at the time of hiring.	<i>State Disability Insurance Provisions (DE 2515) and For Your Benefit (DE 2320)</i>	34 72
Pay wages exceeding \$100 in any calendar quarter within the current calendar year or within the preceding calendar year	File your industry specific registration forms with EDD within 15 days of paying wages.	Industry specific registration forms: <i>Commercial</i> DE 1 <i>Agricultural</i> DE 1AG <i>Government/Schools</i> DE 1GS <i>Non-Profit</i> DE 1NP <i>Personal Income Tax Only</i> DE 1P	28
	Must be posted for employees to read.	<i>Notice to Employees (DE 1857)</i> (Re: UI/SDI benefits)	34
	May be posted for employees to read.	<i>Notice to Employees (DE 35)</i> (Re: W-4)	34
Household employer must register with EDD and withhold SDI when wages of \$750 are paid in any calendar quarter  Household employer must register with EDD and withhold SDI and pay UI and ETT when wages of \$1,000 are paid in any calendar quarter	File with EDD within 15 days of paying wages.	<i>Registration Form for Employers of Household Workers (DE 1HW)</i>  For more information, please request the <i>Tax Guide For Employers of Household Workers (DE 8829)</i>	26

(table continued)

NOTE: This table should be used only as a general guide and does not include all necessary dates and forms for all employers. If you have any questions, please contact your local Employment Tax Customer Service Office (ETCSO), State Disability Insurance (SDI) Office, or Unemployment Insurance (UI) Office.

## SCHEDULE OF EMPLOYER REQUIREMENTS

EVENT	REQUIREMENTS	FORM TITLE/NUMBER	PAGE
Deposit taxes withheld	After withholding \$400 of PIT, deposit SDI and PIT with EDD using next banking day, semi-weekly, or monthly schedule. Pay UI and ETT and any remaining SDI and PIT withheld by the end of each quarter.	<i>Payroll Tax Deposit</i> (DE 88)  OR  <i>Electronic Funds Transfer</i> (EFT)	39 40  39 40
Calendar quarter ends (payment of payroll taxes)	Submit end of quarter UI, ETT, PIT, and SDI payments by the last day of the month following the end of the quarter (April, July, October, January). UI and ETT payments may be submitted voluntarily during the quarter.	<i>Payroll Tax Deposit</i> (DE 88)  OR  <i>Electronic Funds Transfer</i> (EFT)	40  39
Calendar quarter ends (wage reports)	Report individual employee(s) subject wages and PIT withheld. Submit by the last day of the month following the end of the quarter (April, July, October, January).	<i>Quarterly Wage and Withholding Report</i> (DE 6) or Magnetic Media	50
Correct prior information filed on the Payroll Tax Deposit	To correct an overpayment or underpayment, make adjustments on your next DE 88.  NOTE: To receive a refund, refer to Tax and Wage Adjustments Chart, page 57, for additional information.	<i>Payroll Tax Deposit</i> (DE 88)   <i>Tax and Wage Adjustments Form</i> (DE 678)	47  57
Correct information filed on the Quarterly Wage and Withholding Report	To correct previously reported, or unreported, total subject wages, PIT wages, and PIT withholding.	<i>Tax and Wage Adjustments Form</i> (DE 678)	57
Employee leaves job	Provide to employee when he/she becomes unemployed.	<i>For Your Benefit</i> (DE 2320)  Written notice regarding change in employment relationship.	34 35

(table continued)

NOTE: This table should be used only as a general guide and does not include all necessary dates and forms for all employers. If you have any questions, please contact your local Employment Tax Customer Service Office (ETCSO), State Disability Insurance (SDI) Office, or Unemployment Insurance (UI) Office.

## SCHEDULE OF EMPLOYER REQUIREMENTS

EVENT	REQUIREMENTS	FORM TITLE/NUMBER	PAGE
Former employee files UI claim	Return form to EDD within 10 days of mailing date.	<i>Notice of Unemployment Insurance Claim Filed</i> (DE 1101CZ)	65
	Return form to EDD within 15 days of the date shown on the form if the notice is regarding eligibility or within 20 days if the notice is regarding wages.	<i>Notice of Wages Used for Unemployment Insurance (UI) Claim</i> (DE 1545)	65
Former employee files UI claim - employer disagrees with EDD determination	Appeal to EDD within 20 days of mailing date if you disagree with determination/ ruling.	<i>Notice of Determination/ Ruling</i> (DE 1080)	67
Employee files SDI claim	Provide to employee if leaving work because of illness, injury, or pregnancy.	<i>State Disability Insurance Provisions</i> (DE 2515)	72
	File with EDD within two working days of receipt.	<i>Notice to State Disability Claim Filed</i> (DE 2503)	72
Quarterly benefit survey (audit) to detect wages earned while collecting benefits	Return to EDD within 10 days of mailing date.	<i>Benefit Audit</i> (DE 1296B)	68
Last calendar quarter of the year	File protest of benefit charges with EDD within 60 days of the mailing date.	<i>Statement of Charges to Reserve Account</i> (DE 428T)	61 62
	Rates for UI and SDI taxes and ETT for following year. File any protests with EDD within 60 days of mailing date.	<i>Notice of Employer Contribution Rates and Statement of UI Reserve Account</i> (DE 2088)	61
End of calendar year	Provide W-2/1099R to worker(s) by January 31 of the following year.	<i>Wage and Tax Statement/Tax Statement for Distributions from Pensions, Annuities, Retirement, or Profit Sharing Plans, IRAs, Insurance Contracts, etc.</i> (W-2/1099R)	75
			77

(table continued)

NOTE: This table should be used only as a general guide and does not include all necessary dates and forms for all employers. If you have any questions, please contact your local Employment Tax Customer Service Office (ETCSO), State Disability Insurance (SDI) Office or Unemployment Insurance (UI) Office.



## SCHEDULE OF EMPLOYER REQUIREMENTS

EVENT	REQUIREMENTS	FORM TITLE/NUMBER	PAGE
End of calendar year - incorrect wages reported on employee's <i>Wage and Tax Statement, W-2</i>	Provide a corrected statement to employee(s).	<i>Wage and Tax Statement Correction, W-2C</i>	75 77
	If an incorrect <i>Annual Reconciliation Return</i> (DE 7) has been sent to EDD, complete a <i>Wage and Tax Adjustments Form</i> (DE 678) to correct employee(s) subject wages, PIT wages, PIT withholding, name, or social security number.	<i>Wage and Tax Adjustments Form, DE 678</i>	57
End of calendar year	File <i>Annual Reconciliation Return</i> with EDD by January 31 of the following year.	<i>Annual Reconciliation Return</i> (DE 7)	55
	Report summary of all subject wages paid, taxable wages for UI and SDI purposes, and total of PIT reported on forms W-2.		
	If, after completing the DE 7, there is a balance due, submit your payment with a <i>Payroll Tax Deposit</i> (DE 88). The payment must be mailed to the address on the coupon.		41
	If, after completing the DE 7, your payroll taxes were overpaid for the year, your overpayment will be processed as part of the reconciliation process and a refund may be issued to you.		57
Sale of business	After employer files final <i>Payroll Tax Deposit</i> (DE 88), <i>Quarterly Wage and Withholding Report</i> (DE 6), and <i>Annual Reconciliation Return</i> (DE 7) and pays any amounts owing, he/she may request a <i>Certificate of Release of Buyer</i> .	<i>Certificate of Release or Buyer</i> (DE 2220).	30

(table continued)

NOTE: This table should be used only as a general guide and does not include all necessary dates and forms for all employers. If you have any questions, please contact your local Employment Tax Customer Service Office (ETCSO), State Disability Insurance (SDI) Office or Unemployment Insurance (UI) Office.

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**SCHEDULE OF EMPLOYER REQUIREMENTS**

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EVENT	REQUIREMENTS	FORM TITLE/NUMBER	PAGE
Quitting Business	Employer files final reports and returns and pays any taxes owed.	<i>Payroll Tax Deposit Coupon</i> (DE 88)	38
		<i>Quarterly Wage and Withholding Report</i> (DE 6)	49
		<i>Annual Reconciliation Return</i> , (DE 7)	55

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NOTE: This table should be used only as a general guide and does not include all necessary dates and forms for all employers. If you have any questions, please contact your local Employment Tax Customer Service Office (ETCSO), State Disability Insurance (SDI) Office or Unemployment Insurance (UI) Office.

## WHO IS AN EMPLOYER?

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### GENERAL DEFINITION

An "employer" is a person or legal entity who hires one or more persons to work for a wage or salary. "Employers" include:

- Sole proprietors
  - Partnerships
  - Joint ventures
  - Limited liability companies
  - C-Corporations
  - S-Corporations
  - Estates
  - Associations
  - Non-profit organizations
  - Trusts
  - Public entities
  - Charitable foundations
  - State and Federal agencies
  - Other organizations
- 

### HOUSEHOLD EMPLOYERS

An employer of household workers must report when he/she employs one or more individuals to perform work and pays cash wages of \$750 in a calendar quarter. You must register with the Employment Development Department within 15 days after you pay \$750 in total cash wages.

An employer of household services can be a:

- Private household
- Local college club
- Local chapter of a college fraternity or sorority

To obtain a registration packet, please call (916) 654-7041.

A guide designed specifically for household employers, the *1998 Tax Guide for Employers of Household Workers* (DE 8829), can be ordered by using the Requisition Form found on page 1. You can also request a guide from your local Employment Tax Customer Service Office (ETCSO) (see directory on page 8.)

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### ADDITIONAL INFORMATION

Additional information regarding special classes of employment and special types of payments can be found in the "Employment and Payment Types" in the appendix section beginning on page 81 of this guide. To request additional information on various subjects, contact your local ETCSO (see directory on page 8), or by using the order form provided on page 1 of this guide.

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#### DID YOU KNOW?

The California Unemployment Insurance Appeals Board provides the following publications to help you prepare for unemployment insurance benefit appeals hearings:

- Guide for Claimants, Employers and Their Representatives, DE 1434
- Appeals Procedure, DE 1433

Request copies of these publications from:

Office of the Chief Administrative Law Judge  
2400 Venture Oaks Drive, Suite 150  
Sacramento, CA 95833

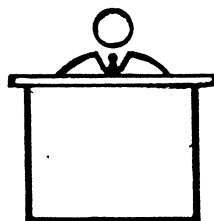
See page 67 for additional information on the appeals process.

**GENERAL  
DEFINITION**

An "employee," as defined in the California Unemployment Insurance Code (CUIC), includes all of the following:

- Any officer of a corporation
- Any worker who is an employee under the usual common law rules
- Any worker whose services are specifically covered by law (a statutory employee)

An employee may perform services on a less than full-time or temporary basis. The law does not exclude services from employment, which are commonly referred to as day laborers, part-time help, casual labor, temporary help, probationary, or outside labor.

**"COMMON  
LAW"  
EMPLOYEE OR  
INDEPENDENT  
CONTRACTOR**

"Common law," as we know it, has evolved slowly over the centuries based upon precedent tax decisions rendered by the courts on individual cases. The **common-law rules of employment**, as it exists today, are the total of all court decisions related to the question of what constitutes an employment relationship.

An employer-employee relationship exists when a person who hires an individual to perform services has the right to exercise control over the manner and means by which the individual performs his or her services. The "**right of control**," whether or not exercised, is the most important factor in determining the relationship. California Unemployment Insurance Appeals Board (CUIAB) tax case decisions are based on the right of control factor along with examination of the secondary factors, when necessary. For examples of CUIAB tax case decisions that illustrate the application of the common law rules, please order Information Sheet, *Employment*, DE 231, by contacting your local Employment Tax Customer Service Office (ETCSO) (see directory on page 8) or by using the order form provided on page 1 of this guide,.

**NOTE: California does not provide relief under the "Safe Harbor" provisions used by the Internal Revenue Service (IRS).** It is important that workers are properly classified under the usual common-law rules which determine employer-employee relationships.<sup>1</sup>

**ADDITIONAL  
INFORMATION**

Misclassifying your workers can be a costly mistake. If you are found to have treated employees as independent contractors you could be liable for back taxes, penalties, and interest. To help you determine if you have correctly classified your workers, EDD has provided several options:

- **Employment Determination Guide (DE 38)** - This guide is a series of "Yes or No" questions regarding your treatment of workers. By filling out this questionnaire on your own, it will help you determine whether a problem may exist and you need to seek additional guidance.
- **Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding (DE 1870)** - This form is a series of questions regarding your relationship with your workers. It is filled out and sent to EDD. The EDD will then send you a written determination of whether you have workers or independent contractors based on the facts you have provided.

For verbal guidance on worker classification issues, you may call (916) 464-2500 in Sacramento or any of our local ETCSOs (see directory on page 8.)

EDD also publishes detailed Information Sheets on general as well as industry specific issues. To request information sheets, use the order form provided on page 1 of this guide or by contacting your local ETCSO (see directory on page 8.)

**DID YOU KNOW?**

In 1998, Tax Branch is modernizing the processing system used to capture the information employers provide on their employment tax forms. The new system will require some changes on the reporting forms. With the new system, we will be able to provide more efficient service to the employers in California. Please work with us so we can all realize the benefits of the new processing system.

<sup>1</sup> Section 4304-1, Title 22, California Code of Regulations

## EMPLOYER REGISTRATION

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### PURPOSE

When you register with EDD, you receive an eight-digit employer account number that identifies your business for the purpose of reporting and collecting employment taxes. The EDD administers the Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) programs. Registered employers are required to send EDD the California Personal Income Taxes (PIT) withheld from employee wages. In addition, registered employers are required to report wages subject to California PIT.

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### WHEN TO REGISTER

All employers conducting business in California are subject to the employment tax laws of the California Unemployment Insurance Code. A business becomes a subject employer as soon as it pays **accumulative wages** in excess of \$100 in a calendar quarter to one or more employees within the current or preceding calendar year (for household employers, see page 26). Wages consist of compensation for services performed, including cash payments, commissions, bonuses, and the reasonable cash value of nonmonetary payments for services, such as meals and lodging. Generally, all wages are considered subject wages. Once subject, an employer **must** report wages for that year and the following year regardless of the amount of wages paid. After that period, the employer remains subject unless there are eight consecutive quarters when wages do not exceed \$99<sup>1</sup>.

Different rules apply to various types of employers in determining when each becomes liable for reporting, withholding, and paying payroll taxes to EDD.

Employers are responsible for: reporting wages paid to their employees and paying UI and ETT on those wages; withholding and paying SDI taxes and California PIT due on wages paid to workers; and wages subject to California PIT taxes. Once a business becomes a subject employer, an industry specific registration form must be completed and submitted to EDD within 15 days.

To simplify the registration process, EDD has designed a series of industry specific registration forms that request information relative to each type of employer. Please refer to page 29 for how to register with the Department. There are specific registration forms for the following types of employers:

Commercial	DE 1	Non-Profit	DE 1NP
Agricultural	DE 1AG	Personal Income Tax Only	DE 1P
Government/Schools	DE 1GS	Household	DE 1HW

Examples of when an employer becomes subject are:

- An employer hires a permanent employee during the month of March at a wage of \$5 per hour. The employee is paid wages of \$80 in March and \$200 in April. The employer is "subject" effective in April, since the employer has not paid the employee over \$100 during the first quarter of the year, but will pay over \$100 during the second quarter of the year.
- An employer hires an employee for one day in April and pays the employee \$80. The employer hires another employee for half a day on May 4 and pays this employee \$40. The individual must register with EDD as an employer by May 19. The individual became an employer when the second employee is paid \$40 because \$80 plus \$40 is over \$100. The employer must register with EDD within 15 days of becoming an employer.
- A corporation operates without any employees, except for the corporate president. The corporate president performs services for the corporation and is considered an employee by law. The corporate president draws no salary from the corporation but pays all of his personal bills from the corporate bank account. His personal bills for the first month of the corporation's operations totaled \$1,500. The corporation became an employer the first month of its operations because the personal bills of the corporate president paid by the corporation are considered wages to the corporate president.

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<sup>1</sup> Section 675, California Unemployment Insurance Code  
DE 44 Rev. 24 (9-97) (INTERNET)

**WHEN TO REGISTER (cont.)**

- A general partnership operates a business in which each partner draws a salary of \$1,000 per month. The partnership has no employees. The partnership is not required to register as an employer since partnership draws are not wages subject to UI, ETT, SDI, or PIT withholding, and are not reportable as PIT wages.
- A limited liability company (LLC) is managed by its three members, who operate the enterprise without employees. After several years, the LLC hires an employee to help in the business enterprise. The LLC is required to register as an employer within 15 days of paying an employee accumulative wages exceeding \$100.

**HOW TO REGISTER (OBTAINING AN EMPLOYER ACCOUNT NUMBER)**

A registration form may be obtained by calling your nearest Employment Tax Customer Service Office (ETCSO) (see directory on page 8.) Please mail the completed registration form to:

**Employment Development Department  
Tax Status and Examination Group, MIC 28  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**OR**

**Fax your completed registration form to (916) 654-9211.**

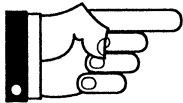
**OR**

**Register by telephone by calling EDD's TELE-REG SERVICE at (916) 654-7041** (an automated telephone system). Please stay on the line to speak to a customer service representative. Employers using EDD's TELE-REG Service receive their employer account number over the phone. After you receive an account number, **you must also complete the registration form specified for your industry.** Please send the completed registration form to the Tax Status and Exam Group address listed above.

You can also register for an EDD employer account number when you apply for a sales tax permit with the State Board of Equalization.

When you register, you will be assigned an eight-digit account number. Please include your account number in all correspondence sent to EDD. Your account number must be used when you file your quarterly reports for UI, SDI, ETT, and PIT. If a bank or payroll service prepares your reports, be sure to provide them with your eight-digit account number.

Include your nine-digit Federal Employer Identification Number (FEIN) on the EDD registration form so that Federal Unemployment Tax Administration (UI tax) credits can be properly applied to your account when claimed on your IRS Form 940. For information on federal filing requirements, contact the nearest Internal Revenue Service (IRS) office.

**NOTE:**

- You must register with the Secretary of State to be considered a legal limited liability company, limited liability partnership, limited partnership, or corporation.
- You should contact the IRS, your Workers' Compensation insurance carrier, and the Department of Industrial Relations to ensure that you are in compliance with federal laws, state workers' compensation statutes, and overtime rules.

**DID YOU KNOW?**

Each quarter when EDD sends *your Quarterly Wage and Withholding Report* (DE 6), an issue of the California Employer Newsletter is included. This newsletter explains changes in EDD's programs that affect employers. It may answer questions you have about California's employment taxes.

Please take a few minutes to read the newsletter each quarter.

## EMPLOYER CHANGE OF STATUS

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### GENERAL DEFINITION

A change of employer status happens when an employer no longer has employees, closes the business, purchases or sells the business, moves the business location, or changes business ownership.

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### EMPLOYER CHANGE OF ADDRESS

To change your business address, please complete a change of address form provided in the *Payroll Tax Deposit* booklet or the *Payroll Tax Deposit*, DE 88, All coupons. You may also use a *Change of Address, Business Ownership, or Discontinuance of Business* (DE 24) which can be printed from EDD's Internet web site or requested from your nearest Employment Tax Customer Service Office (ETCSO) (see directory on page 8.) **DO NOT make any changes to the preprinted data on the front of the *Payroll Tax Deposit* (DE 88), *Quarterly Contribution Return* (DE 3D), *Quarterly Wage and Withholding Report* (DE 6), or *Annual Reconciliation Return* (DE 7).**

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### PURCHASE, SALE, TRANSFER, OR ENTITY CHANGE

**All registered employers must report any change** in business status. You must notify EDD of any change in business name or legal entity (for example: a legal change from sole proprietor to partnership or limited liability company to corporation) in writing, or by completing an updated *Registration Form* (DE 1) and mail it to:

Employment Development Department  
Tax Status and Examination Group, MIC 28  
P.O. Box 826880  
Sacramento, CA 94280-0001

OR

FAX: (916) 654-9211

Please be sure to include your eight-digit account number, your name, and your phone number in all correspondence you send to EDD.

When there is a change in the type of ownership and one or more owners of the business remains, the new entity retains the same account number and files reports as though there were one business for the entire year.

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### SUCCESSOR EMPLOYER

A successor employer is an employer who acquired all or part of another employer's business. The successor employer may receive all or part of the predecessor's reserve account balance by applying for a reserve account transfer. For more information on reserve account transfers, refer to page 60 or contact the Contribution Rate Group at (916) 322-0507.

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### RELEASE OF BUYER (ESCROW CLEARANCE)

When purchasing a business, the buyer should contact the local Employment Tax Customer Service Office (see directory on page 8) to request a *Certificate of Release of Buyer* in order to avoid liability for the seller's unpaid payroll taxes. The buyer must withhold, in escrow, an amount of funds sufficient to cover all amounts due to EDD from the seller, up to the purchase price of the business, until a *Certificate of Release of Buyer* is issued. For additional information, refer to *Information Sheet, Requirements for Obtaining Certificate of Release of Buyer When a Business is Sold* (DE 3409A). To obtain a *Certificate of Release of Buyer*, the seller must provide EDD with:

- All unfiled EDD reports (DE 88, DE 6, and DE 7)
- All unpaid amounts owed to EDD (payment must be made by cash, cashier's check, certified check, escrow check, or money order payable to EDD).

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## EMPLOYER CHANGE OF STATUS

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### RELEASE OF BUYER - ESCROW CLEARANCE (cont.)

For protection from potential liability, the buyer should make sure that the escrow funds are not disbursed until the DE 2220 is issued by EDD. Compliance with Section 3440, Code of Civil Procedure, regarding the publishing of a Notice of the Intended Sale of Business, will not relieve the buyer of his or her obligation to EDD.

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### QUITTING BUSINESS

Employers quitting business **are required** to file a DE 88 with payment, DE 6, and DE 7, within 10 days of quitting business, **regardless** of the usual reporting period due date<sup>1</sup>.

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#### DID YOU KNOW?

Beginning July 1, 1998, all employers are required to report new employees. If you have questions about the New Employee Registry program, please call (916) 657-0529.

Please refer to page 36 for additional information.

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<sup>1</sup> Section 1116 of the CUIA.



## WHAT ARE SUBJECT WAGES AND PIT WAGES?

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### GENERAL DEFINITION OF SUBJECT WAGES



Subject wages are all payments made to an employee for personal services, whether paid by cash, check, or the reasonable cash value of amounts paid to an employee, such as meals and lodging. Generally, all wages are considered subject wages and are used to determine UI and SDI benefits. Subject wages are the full amount of wages, regardless of the \$7,000 UI and \$31,767 SDI taxable wage limits, and are entered in Item G of the *Quarterly Wage and Withholding Report* (DE 6). For special classes of employment and payments that may not be considered subject wages, refer to the Appendix, Types of Employment, page 81, and Types of Payments, page 89.

The method of payment does not change the taxability of wages paid to employees, whether by private agreement, consent, or mandated by law. Payments by the day, by the hour, or any other measurement are still considered wages, even if the employee is a casual worker, day or contract laborer, part-time, or temporary worker. For additional information on wages, request *Information Sheet, Wages* (DE 231A) using the order form provided on page 1 or by contacting your local Employment Tax Customer Service Office (ETCSO) (see directory on page 8.)

### GENERAL DEFINITION OF PERSONAL INCOME TAX WAGES

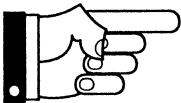
Personal income tax wages are cash and non-cash payments subject to California PIT. Any wages that must be reported on an individual's California income tax return are PIT wages. Most payments for employees' services are reportable as PIT wages. An employee's calendar year total for PIT wages should agree with the amount reported on the employee's *Wage and Tax Statement, W-2*, in box 17 (State Wages, Tips, etc.). The PIT wages must be reported quarterly in Item H of the DE 6.

The PIT wages may not be subject to UI, ETT, SDI, or PIT withholding in every situation. For example, wages for agricultural and domestic services are subject to UI, ETT, and SDI and are reportable for PIT wages. PIT is not withheld from agricultural and domestic employees unless the employer and employee voluntarily agree to withhold PIT. Wages subject to PIT withholding must be reported as PIT wages (except for pension, annuity, and other deferred income distributions reported on IRS form 1099R). For additional information on PIT wages, please request *Information Sheet, Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report* (DE 6) (DE 231PIT) by using the order form on page 1 or by contacting your local ETCSO (see directory on page 8.)

### DIFFERENCE BETWEEN SUBJECT WAGES AND PERSONAL INCOME TAX WAGES

In most situations, when wages are subject to UI, ETT, SDI, and PIT withholding, the subject wages and PIT wages are the same. Some examples of when subject wages and PIT wages are different are:

- Payments to a qualified retirement or pension plan are included as subject wages but are not reportable as PIT wages.
- Family employees' (minor son or daughter under 18, spouse, and parent) wages may not be reported as subject wages but are reportable as PIT wages.
- Payments made to employees of churches are not reported as subject wages but are reportable as PIT wages.

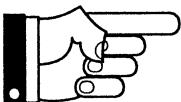


**NOTE:** If total subject wages and California PIT wages are the same, you must enter both wage amounts on the DE 6 in their designated fields. If subject wages or PIT wages are "0" (zero), you must enter "0" (zero).

### EMPLOYMENT TAXES DUE

The employer is responsible for withholding and paying the following:

- Employer paid Unemployment Insurance (UI) taxes and Employment Training Tax (ETT).
- Employee withholding for State Disability Insurance (SDI) and California Personal Income Tax (PIT).
- Any associated penalty and interest due to late filing or late payment of taxes.



**NOTE:** If a business owner hires a worker as an independent contractor and at a later date it is determined that the worker is an employee, the business owner is financially liable for the unpaid taxes, even if the taxes are not withheld.

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## WHAT ARE SUBJECT WAGES AND PIT WAGES?

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### EMPLOYERS WITHHOLDING PERSONAL INCOME TAX ONLY

Employers who are only required to withhold California PIT are also required to register with EDD. The employer is liable for the required PIT, whether or not it is withheld<sup>1</sup>. By law,<sup>2</sup> the filing of federal Form 1099 (issued to the worker) with the Franchise Tax Board (FTB) does not relieve the employer of liability. The employer may be liable for the associated penalties or additions to the tax liability if these individuals are later held to be subject employees. For additional information, request *Information Sheet, Personal Income Tax Abatement* (DE 231W), using the order form on page 1, or by contacting your local ETC SO (see directory on page 8.)

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### HOW TO DETERMINE YOUR TAX AND WITHHOLDING REQUIREMENTS

The Types of Employment, on page 81, and Types of Payments Tables, on page 89, identify special classes of employment, special types of payments, and their respective treatment for UI, ETT, SDI, and California PIT wages and withholding. If you have any questions regarding an individual's proper status in working for or with you, please contact your local ETC SO.

In addition to these tables, EDD has prepared "Information Sheets" for specific industries and types of services. You may request specific information sheets using the order form provided on page 1, or by contacting your local ETC SO (see directory on page 8.)

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#### DID YOU KNOW?

EDD is providing employers and job seekers free access to CALJOBS, a new Internet based job matching service. The system allows employers to directly enter job listings with EDD through their personal computers and then browse resumes to locate qualified job seekers. CALJOBS provides a wide variety of job seeker resumes from entry level to executive. For more information visit our website at [www.jobs1.cahwnet.gov](http://www.jobs1.cahwnet.gov) or call your local EDD office.

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<sup>1</sup> Section 13070 of the CUIC.

<sup>2</sup> Section 13071 of the CUIC.

## EMPLOYER OBLIGATIONS

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### NOTICES AND PAMPHLETS FOR EMPLOYEES

#### POSTING REQUIREMENTS

Once you are registered with EDD, you will receive a notice to inform your employees of their rights under the Unemployment Insurance (UI) **and** State Disability Insurance (SDI) programs. This **notice must be posted** in a prominent location, easily seen by your employees:

You will receive the following:

- Employers subject to both UI and SDI will receive a Notice to Employees (DE 1857A), **OR**
- Employers subject to UI only or SDI only will receive one of the following notices instead of a DE 1857A.
  - Notice to Employees (DE 1857D - UI only)
  - Notice to Employees (DE 1858 - SDI only)

#### NOTICES AND PAMPHLETS

1. **State Personal Income Tax Withholding** - A *Notice to Employees* (DE 35) informs employees that their employers are required to send copies of *Employee's Withholding Allowance Certification Form* (W-4) to the IRS if the certificate meets certain conditions. The notice also informs the employees that they may request a review of the federal determination for state PIT withholding purposes. Please refer to "Marital Status, Withholding Exemptions and Allowances (DE 4 vs. W-4)" on page 74 for further information.
2. **Unemployment Insurance and Disability Insurance Benefits** - The pamphlets listed below explain employee benefit rights, should your employees become unemployed, become ill, injured, or hospitalized due to causes not related to work. These pamphlets **must** be given to each new employee and to each employee who leaves your employment. Both pamphlets are available in English and Spanish.
  - *For Your Benefit*, DE 2320 (available in English, Spanish, Chinese, and Vietnamese) Summarizes Unemployment Insurance claim information.
  - *State Disability Insurance Provisions*, DE 2515, (English) or DE 2515/S/ (Spanish) Outlines the State Disability Insurance program.

Voluntary DI plan insurers have similar literature. Voluntary DI plan employers must also supply claim forms to their employees. For further information on voluntary plans, refer to page 73.

3. **Discharge, Layoff, Leave Of Absence** - You must give immediate written notice to an employee of his/her discharge, layoff, leave of absence, or a change in status from employee to independent contractor.<sup>1</sup> No written notice is required in any of the following situations:
  - Voluntary quit
  - Promotion or demotion
  - Change in work assignment or work location
  - Stopping work due to a trade dispute

Notices to the employee for discharge, layoff, leave of absence, or change of employment status are not published or furnished by the Department. The notice must include the following five items to meet the minimum requirements:

- Name of the employer
- Name of the employee
- Type of action: discharge, layoff, leave of absence, or change of employment status
- Social Security Number of the employee
- Date of the action

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<sup>1</sup> Section 1089, Title 22, California Code of Regulations

**NOTICES AND  
PAMPHLETS FOR  
EMPLOYEES(cont.)**

The following sample meets the minimum requirements:

<b>NOTICE TO EMPLOYEE AS TO CHANGE IN RELATIONSHIP</b> (Issued pursuant to provisions of Section 1089 of the California Unemployment Insurance Code.)	
Name _____	SSA# _____
1. You were laid off/discharged on _____	19____
2. You were on leave of absence starting _____	19____
3. Your status changed from an employee to an independent contractor on _____	19____
_____ NAME OF EMPLOYER	
_____ BY	

You may wish to prepare the employee notice in duplicate and keep the second copy for your files. **As stated previously, a copy of the pamphlet *For Your Benefit - California's Programs for the Unemployed* (DE 2320) must be provided to the employee.** Additional notices/pamphlets may be requested by completing the order form on page 1 and mailing it to:

**Employment Development Department  
 1733W Sports Drive, Suite B, Warehouse  
 Sacramento, CA 95834**

**PLANT  
CLOSURES  
AND  
MASS LAYOFFS  
(WARN ACT)**

The federal Worker Adjustment and Retraining Notification (WARN) Act requires employers with at least 100 employees who plan **plant closures** or **mass layoffs** of 50 or more employees for at least 30 days, to give affected employees at least 60 days written notice<sup>2</sup>. Mailing a notice to each employee's last known address or including the notice in each employee's pay envelope meets the employer's obligation for giving notice to the employee. The employer must also give 60 days notice of the employment action to the union representative, if applicable; the chief elected official of the city or county where the closure or layoff will occur; and to the State's Job Training Partnership Division at:

**Employment Development Department  
 Job Training Partnership Division, MIC 69  
 SDA Support Section  
 P.O. Box 826880  
 Sacramento, CA 94280-0001**

Employers who fail to provide the required notice to a unit of local government may be liable for civil penalties up to \$500 for each day of violation, and up to 60 days back pay and benefits to affected employees.

The EDD has established a **Rapid Response Team**, which is a cooperative effort between the Job Training Partnership Division and employers. This team will coordinate services for dislocated workers. Assistance is available to individuals for UI benefits, job training placement programs, and job search workshops and to communities experiencing plant closures and mass layoffs.

If employees are laid off as a result of foreign competition, they may be eligible for UI benefits and training assistance. Please refer to page 70 additional information.

For more information about WARN Act requirements, exemptions, and the Rapid Response Team, call the State Service Delivery Area (SDA) Support Section at (916) 654-8008.

<sup>2</sup> Public Law 100-379 (290 U.S.C. 2101, et seq.) of the U.S. Department of Labor, Employment and Training Administration.

## EMPLOYER OBLIGATIONS

### NEW EMPLOYEE REGISTRY

Beginning July 1, 1998, all employers are required to report new employees to the New Employee Registry (NER) Program<sup>3</sup>. **Within 20 days of the start to work date** all employees newly hired, rehired or returning to work from a furlough, separation, leave of absence without pay, or termination must be reported. Between January 1, 1998, and June 30, 1998, the current NER requirements remain in effect. The following is a comparison of the existing new hire reporting requirements and the changes that will take place when the federal law is fully implemented:



REQUIREMENT	EXISTING CALIFORNIA NER	NER REQUIREMENTS EFFECTIVE JULY 1, 1998
Who must report	Employers in 17 industries	All employers
Report frequency	Within 30 days of hiring	Within 20 days of start-of-work date
Reporting exemptions	<ul style="list-style-type: none"> <li>Workers under 18 years old</li> <li>Workers paid less than \$300 per month</li> <li>Employers with less than five employees</li> </ul>	None
Employee information to report	<ul style="list-style-type: none"> <li>Employee's first initial</li> <li>Employee's last name</li> <li>Employee's home address</li> <li>Employee's social security number</li> </ul>	<ul style="list-style-type: none"> <li>Employee's first name and middle initial</li> <li>Employee's last name</li> <li>Employee's social security number</li> <li>Employee's home address</li> <li>Employee's start-of-work date</li> </ul>
Employer information to report	<ul style="list-style-type: none"> <li>Employer's name</li> <li>Employer's address</li> <li>Employer's EDD account number</li> </ul>	<ul style="list-style-type: none"> <li>Employer's name</li> <li>Employer's address</li> <li>Employer's EDD account number</li> <li>Employer's federal ID number</li> </ul>

Employers may use EDD form *Report of New Employee(s)*, DE 34, a copy of the IRS Form *Employee(s) Withholding Allowance Certificate* (W-4), or their own reporting form. Magnetic media reporting may also be used to report new employees. Multistate employers, who report new hires on magnetic media, can select one state that they have employees in to report new hires. To obtain a DE 34 please contact your nearest ETC SO (see directory on page 8) or use the order form provided on page 1.

New employee(s) must be reported to EDD using either FAX number (916) 653-5214 or sending your form to:

**Employment Development Department  
Data Capture Group, MIC 23  
P.O. Box 997016  
West Sacramento, CA 95799-7016**

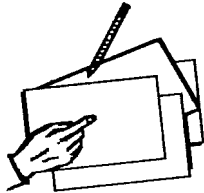
<sup>3</sup> Based on Federal Legislation HR 3734

**NEW EMPLOYEE  
REGISTRY (cont.)**

A prerecorded telephone message has been provided to answer common New Employee Registry questions and may be accessed by calling (916) 657-0529. At the end of the message, you may leave your name and telephone number and your call will be returned by the next business day. You may also contact your local ETCISO (see directory on page 8.)

The NER program assists California's Department of Social Services and Department of Justice in the collection of delinquent child support obligations. California has requested that employers report the start to work date for each newly hired employee so that the NER data can be matched to the benefit payment file. This will result in the early detection and prevention of UI overpayments.

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**RECORD KEEPING**

As an employer, <sup>4</sup> California's Code of Regulations requires you to keep payroll records for at least four years. EDD suggests that you maintain payroll records for at least eight years in case of an employment tax audit even if you believe that you are **not** a subject employer or your employees are exempt. Your records must provide a true and accurate account of **all** workers (employed, laid off, on a leave of absence, and independent contractor) and all payments made. Records must include the following information for each worker:

- Periods covered or pay period.
- Name and Social Security Number.
- Date hired, rehired, or returned to work after temporary layoff.
- Last date services were performed.
- Place of work.
- Money paid:
  - The dates and amounts of payment.
  - The period covered.
- Cash value of in-kind wages paid.
- Special payments in cash or in-kind (such as bonuses, gifts, prizes, etc.) showing the nature of the payment and the period the services were performed and special payments were made.
- The amounts withheld from employee wages (you may be required to make withholding deposits, please refer to "Employee Payroll Withholding Deposits" on page 39.)
- Disbursement records showing payments to workers.
- Such other information necessary to determine payments to workers.

Each year the records of many employers are audited. Additional information that must be kept and could be required during an audit are:

- Cash disbursement records.
- Checking account deposits and disbursements.
- If your business is a corporation, you will need corporation papers.
- If your business is a partnership, you will need a written partnership agreement.
- Amounts and dates of payments to employees absent due to sickness or injury, whether you or a third party made the payment.

If your payroll office is located outside of California, you must furnish the payroll records to EDD upon request.

- The value of fringe benefits provided to workers.
- Tips reported by workers.
- Meals and lodging furnished to workers.
- Pension and annuity plans:
  - Copies of plans and agreements.
  - Amount and dates of payments under plans.
- Copies of your state and federal payroll returns and reports, *Employee's Withholding Allowance Certificates* (W-4s or DE 4s), and copies of employees' *Tax and Wage Statements* (W-2s)

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<sup>4</sup> Section 1085-2, Title 22, California Code of Regulations  
DE 44 Rev. 24 (9-97) **(INTERNET)**

**PAYROLL TAX DEPOSIT (DE 88): OVERVIEW AND SAMPLE FORM**

**PURPOSE:** To submit deposits of State Disability Insurance (SDI) and Personal Income Tax (PIT) withheld as required by law, to pay employer contributions of Unemployment Insurance (UI) and Employment Training Tax (ETT), and to pay penalty and interest on late deposits.

**HOW TO OBTAIN:** *Payroll Tax Deposit (DE 88) Coupon booklets* (Rev. 14, 1-98) are mailed to all tax rated employers by March 1998. Newly registered employers will be mailed a DE 88 coupon booklet containing preprinted forms. Please destroy all DE 88s printed prior to Revision 14, 1-98. In 1998, employers will receive coupon booklets with 6, 14, 18, or 24 coupons based on the employers tax deposit history. Booklets with 6 or 14 coupons will have the employer's UI tax rate printed on the coupon beginning with the first booklet. EDD will provide preprinted envelopes with the booklets. Booklets with 18 or 24 coupons will have the employer's UI tax rate printed on the coupon beginning with the first reorder after January 1, 1998. EDD will provide one preprinted envelope with the booklets and mail additional envelopes separately.

Reorder additional *Payroll Tax Deposit (DE 88) Coupon booklets* using the tear-out reorder postcard at the back of the 1998 booklets. The DE 88 booklet can also be ordered by calling the Tax Status Unit at (916) 654-7041. **DO NOT use the order form on page 1 of this guide to order preprinted tax deposit coupon forms.**

If you are unable to obtain a coupon and need to send a deposit, blank coupons can be obtained from your local Employment Tax Customer Service Office (ETCSO) (see directory on page 8.)

**WHEN DUE:** Deposit due dates for SDI and PIT withholding are generally the same as federal deposit due dates. **Refer to page 41 for detailed instructions for deposit due dates.** UI and ETT must be paid at least quarterly, regardless of when SDI and PIT withholdings are deposited.

Employers who **ARE NOT** required to pay next banking day, semi-weekly, or monthly tax deposits during the quarter, must report and pay all PIT, UI, ETT, and SDI taxes at the end of each quarter.

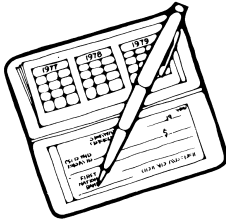
For employers choosing not to make deposits of UI and ETT taxes during the quarter, all UI and ETT taxes and any remaining SDI and PIT withholdings must be reported and paid quarterly. **For payroll tax deposit filing due dates and delinquency dates, please refer to Due Dates for Quarterly Payroll Tax Deposits, page 40.**

**MAIL TO:** Use the preprinted DE 88 envelope provided or send your DE 88 and payment to:

**Employment Development Department  
P.O. Box 826276  
Sacramento, CA 94230-6276**

EDD		PAYROLL TAX DEPOSIT DE 88		(TYPE OR PRINT IN BLACK INK ONLY)	
Serving the People of California		1. PAYROLL DATE: MUST BE COMPLETED		2. PAYMENT TYPE: (MARK ONE BOX ONLY)	
STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT P O BOX 826276 SACRAMENTO CA 94230-6276		0 6 1 5 9 8 (Last PAYROLL DATE covered by deposit)		<input type="checkbox"/> NEXT BANKING DAY <input type="checkbox"/> SEMI-WEEKLY <input checked="" type="checkbox"/> MONTHLY <input type="checkbox"/> QUARTERLY	
JANE BROWN CALIFORNIA BUSINESS		3. PAYMENT QUARTER 9 8 2		1998 Rate      Tax A)              UI B)              ETT C)              SDI D)              California PIT E)              Penalty F)              Interest G) TOTAL PAID \$	
This is your Account Number; Please enter on your check		1 2 3    4 5 6 7    8		4. PAYMENT AMOUNTS: 7 1 5 2 2 1 0 1 0 5 1 1 4 6 7 7 2 3 0 9 0	
EMPLOYMENT DEVELOPMENT DEPT.				PAY THIS AMOUNT TOTAL LINES A THROUGH F. DO NOT FOLD OR STAPLE. Make check payable to EDD.	
PREPARER'S SIGNATURE <i>Jane Brown</i>		TELEPHONE NO. (123) 456-7890		DEPARTMENT USE ONLY DE 88 Rev. 14 (1-98)	

**EMPLOYEE  
PAYROLL  
WITHHOLDING  
DEPOSITS**



Although employer UI and ETT taxes are due quarterly, withholdings taken from employees' wages for SDI and PIT may need to be deposited more often. State deposit due dates are generally the same as federal deposit due dates. Penalty and interest are charged on late deposits.

The deposit requirements are:

- Electronic Funds Transfer deposits

Refer to the "Electronic Funds Transfer (EFT)", page 15 for more information.

- Next Banking Day deposits

You will be required to make a Next Banking Day deposit of California SDI and PIT, you are required to make a Federal Next Banking Day deposit **AND you accumulate more than \$400 in California PIT**. Next Banking Day deposit schedule requires deposits to be made by the Next Banking Day. Banking days do not include Saturdays, Sundays, or banking holidays. **Once you make a Next Banking Day deposit, you automatically become a Semi-Weekly depositor for the remainder of that calendar year and all of the following year.**

**EFT transactions for Next Banking Day deposits** must be settled in the state's bank account on or before the third banking day following the payroll date.

- Semi-Weekly deposits

You will be required to make Semi-Weekly deposits of California SDI and PIT deposits if you are required to make federal Semi-Weekly deposits AND you accumulate more than \$400 in California PIT during one or more payroll periods. The Semi-Weekly deposit schedule requires deposits for paydays on Wednesday, Thursday, or Friday be made by the following Wednesday. For paydays on Saturday, Sunday, Monday, or Tuesday, deposits must be made by the following Friday. Semi-Weekly depositors will always have three banking days after the end of the Semi-Weekly period to make a deposit. If any of the three weekdays after the end of a Semi-Weekly period is a banking holiday, you will have one additional banking day to deposit.

**EFT transactions for Semi-Weekly deposits** must be settled in the state's bank account on the next banking day following the due date.

- Monthly deposits

You will be required to make Monthly deposits of California SDI and PIT if:

- You are required to make Federal Monthly deposits AND you accumulate more than \$400 in California PIT during one or more months of a quarter;

**OR**

- You are only required to make Federal Quarterly deposits, BUT you accumulate \$350 or more in California PIT during one or more months of a quarter.

The Monthly deposit schedule requires deposits to be made by the 15th of the following month.

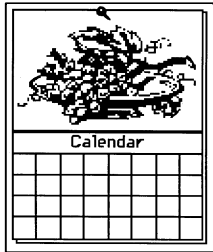
**EFT transactions for Monthly deposits** must be settled in the state's bank account on the next banking day following the due date.

- Quarterly deposits

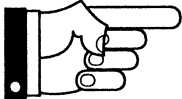
You are required to deposit all UI, ETT, SDI, and PIT by the delinquent date for each quarter. (See monthly deposit schedule if you are a quarterly filer but accumulate \$350 or more in California PIT during one or more months of a quarter.)



**EMPLOYEE  
PAYROLL  
WITHHOLDING  
DEPOSITS (cont.)**



CALIFORNIA DEPOSIT REQUIREMENTS				
IF YOUR DEPOSIT SCHEDULE IS*	AND YOU HAVE ACCUMULATED STATE PIT WITHHOLDING	SDI & PIT DEPOSIT REQUIRED	IF PAYDAY IS	STATE DEPOSIT DUE BY
Next Banking Day	\$400 or less	NO	Not Applicable	Not Applicable
Next Banking Day	More than \$400	YES	Not Applicable	Next Banking Day
Semi-Weekly	\$400 or less	NO	Not Applicable	Not Applicable
Semi-Weekly	More than \$400	YES	Wed., Thur., or Fri.	Following Wed.
Semi-Weekly	More than \$400	YES	Sat., Sun., Mon., or Tue.	Following Fri.
Monthly	\$400 or less	NO	Not Applicable	Not Applicable
Monthly	More than \$400	YES	Not Applicable	15th of the following month
Quarterly	Less than \$350	NO	Not Applicable	Remit by the delinquent date for the quarter
Quarterly	\$350 or more	YES	Not Applicable	15th of the following month



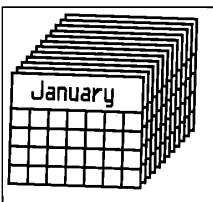
**NOTE:** If a deposit due date falls on a Saturday, Sunday, or banking holiday, the due date is extended to the next banking day. For example, if a deposit is due on Friday, but Friday is a holiday, the deposit due date is extended to the following Monday.

**DUE DATES FOR  
QUARTERLY  
PAYROLL TAX  
DEPOSITS**

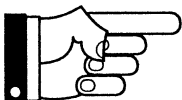
**Deposits using a *Payroll Tax Deposit Coupon (DE 88)*:**

Payment of the full amount of taxes due must be included with the DE 88 and mailed to EDD or remitted electronically by EFT. **Please use the forms mailed to you.** When your payroll tax deposits are mailed to EDD, **the postmark date is used to determine timeliness. Penalty and interest are charged on late deposits.**

For paper filers, the filing due dates and delinquency dates for 1998 quarterly Payroll Tax Deposits are as follows:



REPORTING PERIOD	FILING DUE DATE	DELINQUENT IF NOT PAID BY
January, February, March	April 1, 1998	April 30, 1998
April, May, June	July 1, 1998	July 31, 1998
July, August, September	October 1, 1998	November 2, 1998
October, November, December	January 4, 1999	February 1, 1999



**NOTE:** If your reports are filed late or you do not make timely payments, you will receive an **Employer Account Statement, DE 2176**. If the delinquency is not paid, a tax lien may be issued. If a tax lien is issued, it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.

\*Based on Federal Deposit Schedule

**DUE DATES FOR  
QUARTERLY  
PAYROLL TAX  
DEPOSITS (cont.)**

**Deposits using Electronic Funds Transfer:**

EFT Transactions for quarterly UI and ETT payments must settle in the state's bank account on or before the timely settlement date. Please refer to the last column in the chart below:

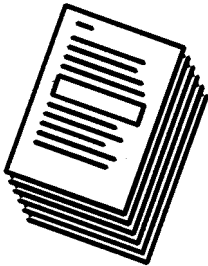
**1998 QUARTERLY EFT PAYMENT CHART**

REPORTING PERIOD	TAXES DUE	LAST TIMELY DATE (initiate on or before)	TIMELY SETTLEMENT DATE
January, February, March	April 1, 1998	April 30, 1998	May 1, 1998
April, May, June	July 1, 1998	July 31, 1998	August 3, 1998
July, August, September	October 1, 1998	November 2, 1998	November 3, 1998
October, November, December	January 4, 1999	February 1, 1999	February 2, 1999

To ensure timely settlements:

- Automated Clearing House **credit transactions** are based on individual bank requirements.
- Automated Clearing House **debit transactions** initiate payment by 3:00 p.m. Pacific Standard Time the day before settlement.

**TIPS FOR  
PREPARING DE 88  
TAX DEPOSITS**



**Payroll Tax Deposits (DE 88):**

The following information will assist you in preparing the DE 88:

- Please use a preprinted EDD envelope to mail your completed DE 88 and payment. If you have used all of your DE 88 envelopes, please mail your payment to the address listed in the "Mail To" section on page 38.
- Instructions to complete a DE 88 coupon, are in your DE 88 booklet or refer to How to Complete a Payroll Tax Deposit on page 42.
- To eliminate the need for EDD to manually key enter information from your reports, please:
  - Type or machine print using **black ink**.
  - **Do not** use italics, script, or variable space typewriters.
- To correct typing errors on your DE 88, please cover the error with correction tape and retype the entire field.
- To correct your name, address, or business status, complete the change of address form at the back of the DE 88 coupon booklet. **Please do not make any changes to the preprinted data on the front of the DE 88.**

**Year-End Payments**

- If "Line J" on the Annual Reconciliation Return (DE 7), shows payroll taxes due, you must complete a Payroll Tax Deposit Coupon to send with your payment. Please complete and mail the deposit coupon as follows:
  - Complete the "Payment Quarter" Box entering the quarter (i.e., 981, 982, 983, 984)
  - that the shortage was made; and
  - Complete the "Payment Amount" boxes for UI, ETT, SDI and PIT; and
  - Complete the "Total Paid" box; and
  - Complete the "Penalty" and "Interest" boxes if your payment is late; and
  - Mail the payment in the preprinted envelope provided.

**TIPS FOR  
PREPARING DE 88  
TAX DEPOSITS**  
(cont.)

- To be sure your payment is processed quickly, the DE 88 should be mailed in the preprinted envelope and the *Annual Reconciliation Return*, DE 7, should be mailed in a separate envelope.
- If you do not know in which quarter the shortage occurred, enter the last day of the year (123198) in the "Payroll Date" and the amount you are sending to EDD in the "Total Paid" box.

**HOW TO  
CALCULATE  
TAXABLE WAGES**

The following information will help you calculate employee taxable wages:

EXAMPLE: An employer has two employees.

**In the first quarter**, Employee #1 is paid \$8,000 and Employee #2 is paid \$5,000.

<u>First Quarter Taxable Wages</u>	<u>UI and/or ETT</u>	<u>SDI</u>
Employee #1	\$ 7,000.00	\$ 8,000.00
Employee #2	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>
TOTAL TAXABLE WAGES	\$12,000.00	\$13,000.00

**In the second quarter**, Employee #1 is paid \$25,000 and Employee #2 is paid \$1,000.

<u>Second Quarter Taxable Wages</u>	<u>UI and/or ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$23,767.00
Employee #2	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>
TOTAL TAXABLE WAGES	\$ 1,000.00	\$24,767.00

**In the third quarter**, Employee #1 is paid \$5,000 and Employee #2 is paid \$8,000.

<u>Third Quarter Taxable Wages</u>	<u>UI and/or ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$ 0.00
Employee #2	<u>\$ 1,000.00</u>	<u>\$ 8,000.00</u>
TOTAL TAXABLE WAGES	\$ 1,000.00	\$ 8,000.00

**In the fourth quarter**, Employee #1 is paid \$10,000 and Employee #2 is paid \$15,000.

<u>Fourth Quarter Taxable Wages</u>	<u>UI and/or ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$ 0.00
Employee #2	<u>\$ 0.00</u>	<u>\$15,000.00</u>
TOTAL TAXABLE WAGES	\$ 0.00	\$15,000.00

**HOW TO  
COMPLETE A  
PAYROLL TAX  
DEPOSIT**

**UI - PAYMENT AMOUNTS:**

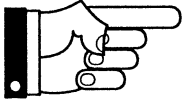
UI taxes must be paid quarterly. However, UI taxes **may be** prepaid during the quarter with any deposits of SDI and PIT.

**UI PREPAYMENT - HOW TO CALCULATE:**

Example:

- Total UI taxable wages for the pay period are \$5,000.00.
- The UI rate for this example is 3.4% (.034). When completing the DE 88, please use the rate shown on the Tax Rate Table in the *Payroll Tax Deposit Coupon* booklet.

**HOW TO  
COMPLETE A  
PAYROLL TAX  
DEPOSIT**  
(cont.)



Calculation:

UI Taxable Wages	\$5,000.00
x UI Rate	.034
UI PREPAYMENT DUE	\$ 170.00 (BOX 4A)

**NOTE:** UI and ETT taxable wage limits for 1998 is \$7,000 per employee.

**UI QUARTERLY PAYMENT - HOW TO CALCULATE:**

IF UI PREPAYMENTS HAVE BEEN MADE:

- Example:
- The total UI taxable wages for the quarter are \$12,000.00.
  - The UI prepayments made during the quarter were \$170.00.
  - The UI rate for this example is 3.4% (.034). When completing the DE 88, please use the rate shown on the coupon.

Total Quarterly UI Taxable Wages	\$ 12,000.00
x UI Rate	x .034
Total Quarterly UI Taxes Due	\$ 408.00
- UI Tax Prepayment	- 170.00
UI QUARTERLY PAYMENT DUE	\$ 238.00 (BOX 4A)

**UI QUARTERLY PAYMENT - HOW TO CALCULATE:**

IF UI PREPAYMENTS HAVE **NOT** BEEN MADE:

- Example:
- The total UI taxable wages for the quarter are \$12,000.00.
  - The UI rate for this example is 3.4% (.034). When completing the DE 88, please use the rate shown on the coupon.

Total Quarterly UI Taxable Wages	\$ 12,000.00
x UI Rate	x .034
TOTAL QUARTERLY UI TAXES DUE	\$ 408.00 (BOX 4A)

**ETT - PAYMENT AMOUNTS:**

ETT taxes must be paid quarterly. However, ETT taxes **may be** prepaid during the quarter with any deposits of SDI and PIT. **USE A TAX AND WAGE ADJUSTMENTS FORM (DE 678) TO CORRECT ANY PREVIOUSLY REPORTED AMOUNTS.**

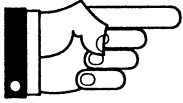
**ETT PREPAYMENT - HOW TO CALCULATE:**

- Example:
- The total ETT taxable wages for the pay period are \$5,000.00.
  - The ETT rate is 0.1% (.001). When completing the DE 88, please use the rate shown on the coupon.

Calculation:

ETT Taxable Wages	\$ 5,000.00
x ETT Rate	x .001
ETT PREPAYMENT	\$ 5.00 (IN BOX 4B)

HOW TO  
COMPLETE A  
PAYROLL TAX  
DEPOSIT (cont.)



ETT QUARTERLY PAYMENT - HOW TO CALCULATE:

**NOTE:** If the ETT amount is larger than the UI amount, please recalculate and verify that the correct percentage is being used.

IF ETT PREPAYMENTS HAVE BEEN MADE:

- Example:
- The total ETT taxable wages for the quarter are \$12,000.00.
  - The ETT prepayments made during the quarter were \$5.00.
  - The ETT rate is 0.1% (.001). When completing the DE 88, please use the tax rate shown on the coupon.

Calculation:

Total Quarterly ETT Taxable Wages	\$ 12,000.00
x ETT Rate	x .001
Total Quarterly ETT Taxes Due	\$ 12.00
- ETT Prepayment	- 5.00
ETT QUARTERLY PAYMENT DUE	\$ 7.00 (BOX 4B)

IF ETT PREPAYMENTS HAVE **NOT** BEEN MADE:

- Example:
- The total ETT taxable wages for the quarter are \$12,000.00.
  - The ETT rate is 0.1% (.001). When completing the DE 88, please use the tax rate shown on the coupon.

Calculation:

Total Quarterly ETT Taxable Wages	\$ 12,000.00
x ETT Rate	x .001
TOTAL QUARTERLY ETT PAYMENT DUE	\$ 12.00 (BOX 4B)

SDI - PAYMENT AMOUNTS:

**Note:** SDI withholdings must be included whenever a deposit is required. SDI taxable wage limit for 1998 is \$31,767 per employee.

SDI DEPOSIT - HOW TO CALCULATE:

- Example:
- Total SDI taxable wages for the pay period are \$5,000.00.
  - The SDI rate is 0.5% (.005). When completing the DE 88, please use the tax rate shown on the coupon.

Calculation:

SDI Taxable Wages	\$ 5,000.00
x SDI Rate	x .005
SDI DEPOSIT DUE	\$ 25.00 (BOX 4C)

SDI QUARTERLY PAYMENT - HOW TO CALCULATE:

IF SDI DEPOSITS HAVE BEEN MADE:

- Example:
- The total SDI taxable wages for the quarter are \$13,000.00.
  - The SDI deposits made during the quarter were \$50.00.
  - The SDI rate is 0.5% (.005). When completing the DE 88, please use the tax rate shown on the coupon.

**HOW TO  
COMPLETE A  
PAYROLL TAX  
DEPOSIT**  
(cont.)

Calculation:

Total Quarterly SDI Taxable Wages	\$ 13,000.00	
x <u>SDI Rate</u>	x <u>.005</u>	
Total Quarterly SDI Taxes Due	\$ 65.00	
- <u>SDI Deposited</u>	- <u>25.00</u>	
SDI QUARTERLY PAYMENT DUE	\$ 40.00	(BOX 4C)

IF SDI DEPOSITS HAVE **NOT** BEEN MADE:

Example:

- The total SDI taxable wages for the pay period are \$13,000.00.
- The SDI rate for this example is 0.5% (.005). When completing the DE 88, please use the tax rate shown on the coupon.

Calculation:

Total Quarterly SDI Taxable Wages	\$ 13,000.00	
x <u>SDI Rate</u>	x <u>.005</u>	
TOTAL QUARTERLY SDI PAYMENT DUE	\$ 65.00	(BOX 4C)

**PIT - PAYMENT AMOUNT:**

**PIT DEPOSIT - HOW TO CALCULATE:**

Example:

- Based on federal deposit requirements, monthly deposits must be made.
- Total PIT withheld during the pay period was \$600.00.

Calculation:

Total PIT Withheld = Total PIT to Deposit      \$ 600.00 (BOX 4D)

(Refer to California PIT tables beginning on page 96 to determine PIT for individual employees.)

**PIT QUARTERLY PAYMENT - HOW TO CALCULATE:**

IF PIT DEPOSITS HAVE BEEN MADE:

Example:

- The total PIT withheld during the quarter was \$1,700.00.
  - The total PIT deposited during the quarter was \$1,600.00
- (NOTE: If PIT is deposited during the quarter, there may not be any PIT due when the quarterly payment is made for SDI, UI and ETT.)

Total PIT Withheld	\$ 1,700.00	
x <u>Total PIT Deposited</u>	- <u>1,600.00</u>	
PIT QUARTERLY PAYMENT DUE	\$ 100.00	(BOX 4D)

**PIT QUARTERLY PAYMENT - HOW TO CALCULATE:**

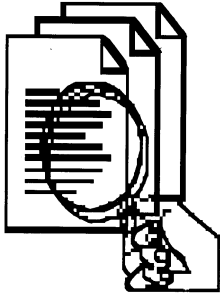
IF PIT DEPOSITS HAVE **NOT** BEEN MADE:

Example:

- Total PIT withheld during the quarter was \$250.00.

Total PIT Withheld	\$ 250.00	
x <u>Total PIT Deposited</u>	- <u>0.00</u>	
PIT QUARTERLY PAYMENT DUE	\$ 250.00	(BOX 4D)

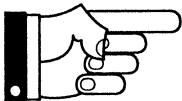
**COMMON  
ERRORS TO  
AVOID - DE 88**



**Payroll Tax Deposit Coupon Booklet**

The following is a list of common errors that may occur when the *Payroll Tax Deposit Coupon* is prepared. Please avoid the following errors:

- **Using an old revision of the *Payroll Tax Deposit Coupon*.** Employers should use the latest form revision (*Payroll Tax Deposit Coupon* booklet (DE 88), Rev. 14, 1-98). Please destroy old DE 88 coupons because EDD will not be able to process old forms using the new equipment. Refer to page 38 for instructions to reorder *Payroll Tax Deposit Coupon* booklets.
- **Taking credits on the *Payroll Tax Deposit*.** If you have overpaid a previous deposit, you can adjust the figures by reducing the same fund on a subsequent deposit. The sum of the figures on the next deposit must add to the total amount paid. **Do not** use "minus signs" or "brackets" to show credits. If you want a refund, please file a *Tax and Wage Adjustment Form* (DE 678). Be sure to indicate the payroll date in the Request for Refund area or attach a copy of the deposit coupon(s) you are adjusting. Please refer to How to Correct a Prior Payroll Tax Deposits on page 47.
- **Entering only whole dollar amounts without cents.** Do not round cents off to the nearest whole dollar, always include cents.
- **Writing fund payment amounts on incorrect lines.** For example, making a deposit for State Disability Insurance (SDI) and Personal Income Tax (PIT) using the boxes designated for Unemployment Insurance (UI) taxes and Employment Training Tax (ETT).
- **Completing only the Payroll Date boxes.** If you are making your quarterly payment for UI, ETT, SDI, and PIT, you should complete the "Payroll Date" box and the "Payment Quarter" boxes. If you are making a deposit during the quarter for SDI and PIT, you should complete the "Payroll Date," "Payment Type," and "Payment Quarter" boxes.
- **Indicating a payroll date and a quarter that conflict.** This can result in erroneous penalty and interest charges to your account. For example, entering a payroll date of 4/15/98 and a quarter of 98/1. Since wages are subject to employment taxes when paid, not when earned, the payroll date must be in the same quarter that the payment is applied to.
- **Using the wrong UI tax rate. For example, using the prior year's tax rate.** Your UI tax rate can be found your *Payroll Tax Deposit Coupon*. If you do not have a Payroll Tax Deposit Coupon, you call the Contribution Rate Group at (916) 322-0507 to obtain your UI tax rate.
- **Computing the SDI tax payment based on the wrong tax rate.** The 1998 SDI tax rate is 0.5 percent (.005).
- **Using the wrong deposit form.** When you have businesses with different employer account numbers, be sure to use the correct preprinted *Payroll Tax Deposit Coupon* booklet for each business.
- **Notifying EDD of a change in ownership or business name, but not clearly explaining the change.**
- **Sending a poor quality magnetic tape or using an incorrect format.** Correcting magnetic tapes may delay wage information updates to your employer account.
- **Entering the date the *Payroll Tax Deposit Coupon* is completed as the "Payroll Date" instead of the date employees were actually paid wages.**
- **Omitting your signature on the *Payroll Tax Deposit Coupon*.**



**NOTE:** To avoid delays in processing your *Payroll Tax Deposit Coupon*, please carefully review your completed coupon for accuracy.

**LATE DEPOSIT,  
PENALTY AND  
INTEREST**

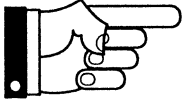
When your tax and wage reports are mailed to EDD, **the postmark date is used to determine timeliness.** If the last timely filing date falls on a Saturday, Sunday, or holiday, the next business day is considered to be the last timely date. Penalty and interest will be charged on late payment of taxes. If you are late sending your payroll tax payment, penalty and interest can be paid using the same *Payroll Tax Deposit Coupon*. Please contact your local ETC SO for assistance in calculating the interest due, since the interest rate is established every six months.

**LATE DEPOSIT,  
PENALTY AND  
INTEREST (cont.)**

To avoid erroneous penalty and interest on late deposits, be sure your payment includes your employer account number, business name, address, telephone number, quarter to which deposit applies, and indicate the dollar amount to be applied to each payroll tax (UI, ETT, SDI and PIT). Please use the preprinted EDD envelope to mail your payment to the Department.

For any questions or assistance, contact the nearest ETC SO (see directory on page 8.)

**NOTE:** Unavailability of forms is not "good cause" for delinquent filing or late payment of amounts due.



**PENALTY FOR  
FAILURE TO  
DEPOSIT PAYROLL  
TAXES**

Employers are required to withhold payroll taxes and send them to EDD. Any person or employer who fails to do this, even by mistake, is guilty of a misdemeanor. If convicted, the person or employer can be fined up to \$1,000 or sentenced to jail for up to one year or both, at the discretion of the court.<sup>1</sup>

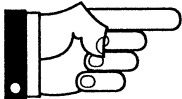
If it can be substantiated that incorrect instructions were given to an employer by EDD staff, the Department's current policy is not to penalize the employer for failure to comply with the law. If your concerns are not resolved by the case worker, supervisor, or office manager, please contact the Problem Resolution Office for further assistance at (916) 654-8957.

**HOW TO CORRECT  
A PRIOR PAYROLL  
TAX DEPOSIT**

The following information will help you to correct previously submitted *Payroll Tax Deposit Coupons*.

- **Underpaid taxes** - Send a new *Payroll Tax Deposit Coupon* with payment for the shortage. Indicate the quarter taxes applied to and the amounts being paid by fund.
- **Overpaid taxes** - When preparing your next *Payroll Tax Deposit Coupons*, reduce each fund to show the corrected amounts (total year-to-date payments for each fund must total to the correct amount of taxes owed).
- **Refund of overpaid taxes** - A *Tax and Wage Adjustments Form* (DE 678) must be filled to receive a refund of overpaid employment taxes.

**NOTE:** Generally, a claim for credits or refunds must be filed within three years of the delinquent date for the quarter being adjusted.



**CORRECTING PIT  
REPORTING  
ERRORS**

When **written permission is obtained from the employee**, you are authorized to adjust any over- or under-withholding of California PIT from the employee if adjusted within the same calendar year and before the IRS form W-2 is issued. You should obtain a receipt from the employee whenever a credit adjustment or repayment of over-withheld tax is made.

If you made an error in reporting the California PIT withheld for an individual on the *Quarterly Wage and Withholding Report* (DE 6) you must submit a *Tax and Wage Adjustments Form* (DE 678). To correct items, enter the correct amount of withholdings for the employee. A separate *Tax and Wage Adjustments Form* (DE 678) must be completed for each quarter.

Overwithheld California PIT must be credited or refunded to your employee before you can take a credit or receive a refund from EDD. This overpayment can be adjusted in one of the following ways:

- The overpayment can be adjusted by reducing the PIT fund by the overpaid amount on your next deposit or subsequent deposits of *Payroll Tax Deposits*. The amount indicated on the next *Payroll Tax Deposit Coupon* should be the actual amount due for PIT less the overpayment. **Do not** use brackets [\$] to show a credit on the *Payroll Tax Deposit Coupon*. If the overpayment amount is too large to take a full credit, then you may submit a *Tax and Wage Adjustments Form* (DE 678) to request a refund of the remaining overpayment; or

<sup>1</sup> Section 2118 and 13020 of the CUIC



**CORRECTING PIT  
REPORTING  
ERRORS (cont.)**

- You may request a full refund of the overpaid amount by submitting a *Tax and Wage Adjustments Form* (DE 678).

If you have issued IRS form W-2 to an employee, you **cannot** adjust any overwithholding of PIT reported. Employees will receive credit for any overwithholding when they file their California state income tax returns with the Franchise Tax Board (FTB.)

If you have issued IRS form W-2 showing the wrong amount, you must issue a IRS form W-2C to the employee. If you have filed an incorrect *Annual Reconciliation Return* (DE 7), you must complete and send a *Tax and Wage Adjustments Form* (DE 678) to EDD. Please do not send the state copy of the IRS form W-2C to EDD or FTB.

For tax years 1995 and earlier, if you filed an *Annual Reconciliation of California PIT Withheld* (DE 43), you must file an amended DE 43 to correct prior year to date PIT information.

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**LOST PAYROLL  
TAX DEPOSIT  
COUPON - FILING  
AN INFORMAL  
REPORT**

If your DE 88 forms are lost or damaged, request replacement forms from your local ETCISO (see directory on page 8.) If reporting forms cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges. A detailed list of the information needed to file an informal report and the address to mail the report to is provided on page 17 and 18.

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**DID YOU KNOW?**

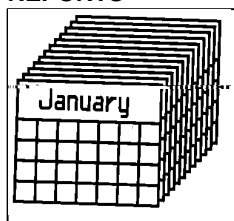
Employers should not send the Wage and Tax Statement, W-2s, to EDD or the Franchise Tax Board.

MAIL TO: **Employment Development Department**  
**P.O. Box 826288**  
**Sacramento, CA 94230-2688**

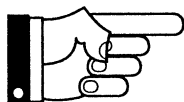
## FORMS MOST FREQUENTLY USED

### DUE DATES FOR QUARTERLY WAGE AND WITHHOLDING REPORTS

The filing due dates and delinquency dates for 1998 Quarterly Wage and Withholding Reports (DE 6) are:



REPORT COVERING	FILING DUE DATES	DELINQUENT IF NOT FILED BY
January, February, March	April 1, 1998	April 30, 1998
April, May, June	July 1, 1998	July 31, 1998
July, August, September	October 1, 1998	November 2, 1998
October, November, December	January 4, 1999	February 2, 1999

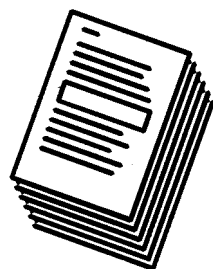


#### NOTE:

- A wage item penalty of \$10 per employee will be charged on late or unreported employee wages.
- If your reports are filed late or you do not make timely payments, you will receive an **Employer Account Statement (DE 2176)**. If the delinquency is not paid a tax lien may be issued. If a tax lien is issued it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.
- Even if you do not have payroll during a quarter, you must file a "no payroll" **Quarterly Wage and Withholding Report (DE 6)**. If you have no payroll during a quarter, you are still considered an employer and are required by law to sign and file a *Quarterly Wage and Withholding Report* (DE 6). Please complete Item A by entering zero in each box and in the Grand Total Line, Items M, N, and O. Check "Box C," sign, and date the report and send it to EDD.

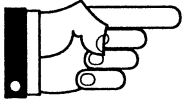
### TIPS FOR PREPARING QUARTERLY WAGE AND WITHHOLDING REPORTS

The following information will assist you in preparing the *Quarterly Wage and Withholding Report* (DE 6):



- Wages are considered reportable when they are due to the employee, not when wages are earned. Because UI and SDI benefits are determined by the highest quarter of wages, it is important that wages are reported for the correct quarter. If you have any questions regarding reporting wages due to an employee, please contact your local ETC SO (see directory on page 8).
- To eliminate the need for EDD to manually key enter information from your report, please:
  - Type or machine print using **black ink**.
  - **Do not** use italics, script, or variable space typewriters.
  - **Do not** use copies of a blank DE 6 for subsequent pages.
- To correct typing errors on your DE 6, please "X-out" on both lines for that employee and retype the data on the next two blank lines. **Please do not use white correction fluid.**
- To correct your name, address, or business status, complete the change of address form at the back of the *Payroll Tax Deposit Coupon* (DE 88) booklet. **Do not make any changes to the preprinted data on the front of the DE 6.**

**TIPS FOR  
PREPARING  
QUARTERLY  
WAGE AND  
WITHHOLDING  
REPORTS (cont.)**



- In most situations, when wages are subject to UI, ETT, SDI, and PIT withholding, the subject wages and PIT wages are the same. Three examples of when subject wages and PIT wages are different are:
  - Payments to a qualified retirement or pension plan are included as subject wages but are not reportable as PIT wages.
  - Family employees' (minor son or daughter under 18, spouse, and parent) wages may not be reported as subject wages but are reportable as PIT wages.
  - Payments made to employees of churches are not reported as subject wages but are reportable as PIT wages.

**NOTE:** If total subject wages and California PIT wages are the same you must enter both wage amounts on the DE 6 in their designated fields. If subject wages or PIT wages are "0" (zero), you must enter "0" (zero).

- The following table shows examples of acceptable formats for completing the DE 6:

ITEM	ACCEPTABLE FORMAT
Social Security Number must always contain nine digits.	123 45 6789 123 - 45 - 6789 123456789 <b>Do not separate digits with slashes (e.g., 123/45/6789)</b>
Employee's full first name, middle initial (if any) and full last name. Separate each part of the name with a blank space.  If you report last name first, you must include a comma after the last name.	Jane L Doe Jane Doe  Doe, Jane L
Total subject wages are the wages (dollars and cents) used to determine UI and SDI benefits. Generally, <u>all</u> wages are considered subject wages regardless of the \$7,000 UI and \$31,767 SDI taxable wage limits. For special classes of employment and payments that may not be considered subject wages, please refer to the Appendix, "Types of Employment", beginning on page 81 and "Types of Payments" beginning on page 89.	Do not use dollar signs (\$) or commas (,) when reporting dollar amounts.  <b>Always include both dollars and cents. Do not line through the cents or leave it blank.</b>
PIT Wages are all wages paid (dollars and cents), during the period that are subject to California PIT even if PIT is not required to be withheld. The calendar year total should match the amount reported in Box 17 (State Wages, Tips, etc) of an employee's <i>Wage and Tax Statement, W-2</i> .	Do not use dollars signs (\$) or commas (,) when reporting dollar amounts.  <b>Always include both dollars and cents. Do not line through the cents or leave it blank.</b>
PIT Withheld.	Do not use dollar signs (\$) or commas (,) when reporting dollar amounts.  <b>Always include both dollars and cents. Do not line through the cents or leave it blank.</b>

## FORMS MOST FREQUENTLY USED

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### TIPS FOR PREPARING QUARTERLY WAGE AND WITHHOLDING REPORTS (cont.)

- To report Voluntary Plan DI wages (employer sponsored Voluntary Plan for the purpose of disability insurance benefit payments), prepare a separate Quarterly Wage and Withholding Report (DE 6) and mark the box in Item B. Employees covered under the State Plan for Disability Insurance must be reported on a separate Quarterly Wage and Withholding Report (DE 6), and Item B is not marked.
- Prepare a separate Quarterly Wage and Withholding Report (DE 6) to report the following other types of subject wages:
  - Sole Stockholder
  - Religious Exemption
  - Third-Party Sick Pay
- Include any California PIT wages and PIT withholdings for each employee.
- Always include both dollars and cents in the money columns. Do not line through the cents column or leave it blank.
- To complete Items A through P of the Quarterly Wage and Withholding Report (DE 6), please refer to the instructions on the back of this form.
- For Item A on the Quarterly Wage and Withholding Report (DE 6), please enter the monthly employment information. This is a count of all full-time and part-time employees who worked during or received wages subject to UI taxes, for the payroll period that includes the 12th day of the month.
- If you need to use additional pages for your report, enter your employer account number, business name, and address on each additional page, exactly as shown on your preprinted Quarterly Wage and Withholding Report (DE 6).

### COMMON ERRORS TO AVOID - DE 6

The following is a list of common errors that may occur when the *Quarterly Wage and Withholding Report* is prepared. **Reviewing this list may help you to avoid these errors:**

- **Overstating the number of employees in “Item A.”** This is a count of all full-time and part-time employees who worked during, or received wages, subject to UI taxes for the payroll period that includes the 12th day of the month.
- **Entering grand totals for subject wages “Item M,” PIT wages “Item N,” and PIT withheld “Item O” on more than one page of the wage and withholding report.** Grand totals should only be entered on the first page or the last page of the *Quarterly Wage and Withholding Report*.
- **Using a form to report wages and withholdings that EDD has not approved.**
- **Sending a poor quality magnetic tape or using an incorrect format.** Correcting magnetic tapes is time-consuming and expensive.
- **Using the wrong employer account number on the wage and withholding report form.** When you have businesses with different employer account numbers, be sure to use the correct preprinted DE 6 for each business.
- **Entering total number of individuals paid during the quarter** as the monthly employment level for each month in Item A.
- **Reporting employee wages when earned instead of when paid.**
- **Reporting federal income tax withholding instead of California PIT withholding in “Item I.”**
- **Using an old revision of the *Quarterly Wage and Withholding Report* (DE 6) or the *Report of Wages* (DE 3B),** which are obsolete, instead of a DE 6, Revision 2, when additional sheets are needed to report all of the wages and withholdings. If you need additional report forms, you may contact your local ETC SO (see directory on page 8). For 25 or more forms, contact EDD’s Forms Warehouse at (916) 322-2835 or FAX 928-5931.
- **Reporting employee wages in the Total Subject Wages column when you are only required to report PIT wages and PIT withheld** could result in an increase in your UI tax rate. If one of your former employee(s) files a claim for UI benefits, the total subject wages you report will be included in the determination for the weekly UI benefit amount. You will also receive UI claim notices for the former employee(s).

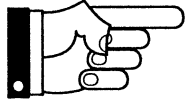
**COMMON  
ERRORS TO  
AVOID - DE 6**  
(cont.)

- **Submitting employee wages on magnetic media and also sending a paper *Quarterly Wage and Withholding Report* (DE 6)** could cause: 1) double posting of employee wages; or 2) delay completing the quarterly posting of your employees' wages. Only the magnetic tape of employee wages should be submitted.
- **Using the paper *Quarterly Wage and Withholding Report* (DE 6) address when mailing a payroll tax payment with the report.** If the *Quarterly Wage and Withholding Report* (DE 6) and payroll tax payments are mailed together, you **must** use the *Payroll Tax Deposit Coupon* (DE 88) envelope provided by EDD.
- **Writing total wages earned in the boxes on "Item A" instead of the number of employees.**
- **Entering only whole dollars without cents.**
- **Omitting employee name(s) from the *Quarterly Wage and Withholding Report* (DE 6) in error.** File a *Tax Wage and Adjustment Form* (DE 678) to report employees omitted in error.
- **Reporting more than seven individuals on each page or reporting page totals and grand totals incorrectly.** Each page of the DE 6 provides space to report wages and withholdings for seven individuals. The last two lines on the DE 6 are for reporting page totals and grand totals. (If using more than one page of the DE 6, the grand totals should be entered only on the first or last page.)
- **Reporting information in an incorrect field.** The Social Security Number, wages, and withholding information must be entered in their designated fields or this information may be processed incorrectly.
- **Reporting only total subject wages or PIT wages when both are the same.** Generally, most wages are considered total subject wages and are used to determine UI and SDI benefits. PIT wages are the wages subject to California PIT, and the calendar year total should equal the amount reported in Box 17 of an employee's *Wage and Tax Statement, W-2*. When total subject wages and PIT wages are the same, the wages must be entered in each field.
- **Entering total subject wages when you are only required to report PIT wages and PIT withholding.** If you report under a PIT only account number, do not enter an amount for total subject wages.
- **Reporting the same amounts for PIT wages and PIT withheld.** PIT wages are the wages used for the calendar year wages reported in Box 17 of an employee's *Wage and Tax Statement, W-2*. PIT withheld is the state income tax withheld from an individual's wages and is reported in Box 18 (state income tax) of the W-2. Pension and annuity distributions are not reported as PIT wages and the PIT withheld is reported in Box 10 of the 1099-R. Based on these distinctions, PIT wages and PIT withheld should not be the same amounts.
- **Reporting the same information under more than one account number.** If you report UI, SDI, and PIT under separate account numbers, do not report the same amounts for an individual under more than one account number. Reporting the same wages and/or withholdings under more than one account number may result in duplicate postings and potential billings for underpayment of taxes.
- **Using an incorrect name format.** When entering an individual's first name first, do not put a comma after the first name (John L Doe). When entering the last name first, however, you must place a comma after the last name (Doe, John L).
- **Using an attachment to the DE 6 to report additional wage items.** Wage and withholding information must be reported on the DE 6, Revision 1-98, or an approved alternate form. If you need up to 25 additional forms, call your nearest ETC SO (see directory on page 8). For 25 or more forms, call EDD's Forms Warehouse at (916) 322-2835 or FAX (916) 928-5931.
- **Using an incorrect magnetic media format.** Magnetic media must be formatted according to the specifications outlined in the *1997 Magnetic Media Booklet*, DE 8300, or the media may be returned to the employer for corrections.
- **Trying to correct a prior report by using a copy of the original *Quarterly Wage and Withholding Report* (DE 6) you sent to EDD.** A *Tax Wage and Adjustments Form* (DE 678) should be used to correct a prior report.
- **Omitting or incorrectly reporting PIT wages.** Report all wages subject to PIT.
- **Using only the first initial of the first name.** Employee's full name must be reported.

## FORMS MOST FREQUENTLY USED

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### COMMON ERRORS TO AVOID - DE 6 (cont.)



- **Using white correction fluid or correction tape on forms.** Cross out both lines of employee information and reenter the data.
- **Failing to check the box for wages covered under an authorized voluntary disability plan.**
- **Omitting your signature from the DE 6.**

**NOTE:** Double checking your *Quarterly Wage and Withholding Report* (DE 6) before mailing it could save unnecessary costs for you and EDD.

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### HOW TO CORRECT A PRIOR QUARTERLY WAGE AND WITHHOLDING REPORT

The following information will help you to correct a previously submitted *Quarterly Wage and Withholding Report*:

- Employee wages and/or PIT never reported to EDD - File a *Tax and Wage Adjustments Form* (DE 678) listing the unreported employees, their wages, and PIT information.
  - Employee wages and/or PIT information incorrectly reported to EDD - File a DE 678 correctly reporting the employees, their wages, and PIT information.
- 

### LOST QUARTERLY WAGE AND WITHHOLDING REPORT - FILING AN INFORMAL REPORT

If forms are lost or damaged, request a replacement form from your local ETC SO (see directory on page 8). If a form cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges. A detailed list of the information needed to file an informal report and the address to mail the report is provided on pages 17 and 18 of this guide.

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### EMPLOYERS WITH MULTIPLE LOCATIONS - HOW TO REPORT WAGES BY LOCATION

Branch Code Reporting is provided for employers who need to designate, by location, where wages were earned.

Under this reporting procedure, each location has a special code called a "branch code number." A separate *Quarterly Wage and Withholding Report* (DE 6) must be prepared in the format approved by EDD **for each** branch. The EDD will mail the *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545), and a *Benefit Audit Form* (DE 1296B) to the branch address designated by the employer. The *Statement of Charges to Reserve Account* (DE 428T) will be mailed only to the primary address, with individual locations identified on the statement by branch number. All other forms will be mailed to the primary address.

For more information and instructions on how to apply for this service, please contact the:

**Employment Development Department  
Branch Code Reporting, MIC 26  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**OR**

**Telephone: (916) 654-8470**

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## ANNUAL RECONCILIATION RETURN (DE 7): OVERVIEW AND SAMPLE FORM




**PURPOSE:** To reconcile payments submitted during the year for State Disability Insurance (SDI) and Personal Income Tax (PIT) withheld and employer payments of Unemployment Insurance (UI) tax and Employment Training Tax (ETT) and to reconcile the total subject employee wages reported during the year, as required by law.

**WHEN FURNISHED:** The *Annual Reconciliation Return* (DE 7) is mailed to employers during December of each year.

**WHEN DUE:** January 1 of each year.

**DELINQUENT:** January 31 of each year.

**MAIL TO:** **Employment Development Department**  
**P.O. Box 826286**  
**Sacramento, CA 94230-2686**

 <b>ANNUAL RECONCILIATION STATEMENT</b>					
<small>Serving the People of California</small>		<small>PLEASE TYPE THIS FORM—DO NOT ALTER PREPRINTED INFORMATION</small>		<b>00071297</b>	
<b>YEAR ENDED</b> <u>December 31, 1998</u> <b>DUE</b> <u>January 1, 1999</u>		<small>DELINQUENT IF NOT POSTMARKED OR RECEIVED BY</small> <u>January 31, 1999</u>		<small>YEAR</small> <u>1998</u>	
		<small>EMPLOYER ACCOUNT NO.</small>		<u>123-4567-8</u>	
California Business 123 Main Street Anytown, CA 12345-0001		<div style="border: 1px solid black; padding: 5px;"> <b>DO NOT ALTER THIS AREA</b> </div>			
		<small>DEPT. USE ONLY</small>			
		<small>EFFECTIVE DATE</small> <u>Mo.</u> <u>Day</u> <u>Yr.</u>			
<b>FEIN</b> <u>12-3456789</u>		<b>CHECK BOX IF:</b>			
<b>ADDITIONAL FEINS</b>		<b>A. NO WAGES PAID THIS YEAR</b> <input type="checkbox"/>			
		<b>B. OUT OF BUSINESS / FINAL RETURN</b> <input type="checkbox"/>			
<b>C. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR</b> .....		<u>25371</u> <u>25</u>			
<b>D. UNEMPLOYMENT INSURANCE (UI)</b> <small>(Total Employee Wages up to \$ per employee per calendar year)</small>					
<b>(D1) UI%</b> <u>3.4</u>	<b>TIMES</b>	<b>(D2) UI TAXABLE WAGES</b> <u>25371</u> <u>25</u>	=	<b>(D3) UI CONTRIBUTIONS</b> <u>862</u> <u>62</u>	
<b>E. EMPLOYMENT TRAINING TAX (ETT)</b> <small>(Total Employee Wages up to \$ per employee per calendar year)</small>					
<b>(E1) ETT%</b> <u>0.1</u>	<b>TIMES</b>	<b>UI Taxable Wages (D2)</b> .....	=	<b>(E2) ETT CONTRIBUTIONS</b> <u>25</u> <u>37</u>	
<b>F. DISABILITY INSURANCE (DI)</b> <small>(Total Employee Wages up to \$ per employee per calendar year)</small>					
<b>(F1) DI%</b> <u>0.5</u>	<b>TIMES</b>	<b>(F2) DI TAXABLE WAGES</b> <u>25371</u> <u>25</u>	=	<b>(F3) DI EMPLOYEE CONTRIBUTIONS WITHHELD</b> <u>126</u> <u>85</u>	
<b>G. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD</b> .....					
<b>H. SUBTOTAL (Add Items D3, E2, F3 and G)</b> .....					
<b>I. LESS: CONTRIBUTIONS AND WITHHOLDINGS PAID FOR THE YEAR (DO NOT INCLUDE PENALTY AND INTEREST PAYMENTS)</b> .....					
<b>J. TOTAL TAXES DUE OR OVERPAID (Item H minus Item I)</b> .....					
<small>If amount due, prepare a Payroll Tax Deposit, DE 88, and mail to P.O. Box 826276, Sacramento, CA 94230-6276. Mailing payments with DE 7 delays payment processing and may result in an erroneous penalty and interest charges. Mandatory EFT filers must remit all SDI/PIT deposits by EFT to avoid Non-Compliance Penalty.</small>					
<small>HELP US IMPROVE THE QUALITY OF OUR EMPLOYMENT TAX SERVICES. PLEASE RATE OUR CURRENT SERVICES BY ENTERING THE APPROPRIATE NUMBER IN THE BOX: 4 = EXCELLENT 3 = GOOD 2 = FAIR 1 = POOR</small>					
<b>K. Be sure to sign this declaration: I declare that the information herein is true and correct to the best of my knowledge and belief.</b>					
<b>Signature</b> <u>Jane Smith</u>		<b>Title</b> <u>Owner</u>		<b>Phone</b> <u>(23) 456-7890</u> <b>Date</b> <u>1-20-99</u>	
<small>DE 7 Rev. 1 (12-97) SIGN AND MAIL TO: State of California / Employment Development Department / P.O. Box 826286 / Sacramento CA 94230-6286</small>					



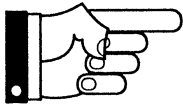
**TIPS FOR  
PREPARING  
ANNUAL  
RECONCILIATION  
RETURNS**

Employers are required to complete an *Annual Reconciliation Return*, DE 7. The return must be postmarked by January 31, 1999, to be timely<sup>2</sup>. If an employer fails to send a completed *Annual Reconciliation Return* (DE 7) to EDD, a penalty of \$1,000 or 5 percent of total annual taxes, whichever is less, may be assessed.

The following information will assist you in preparing the *Annual Reconciliation Return* (DE 7):

- To eliminate the need for EDD to manually key enter information from your return, please:
  - Type or machine print using **black ink**.
  - **Do not** use italics, script, or variable space typewriters.
- To correct typing errors on the *Annual Reconciliation Return* (DE 7), cover the error with correction tape and retype the entire field.
- To correct your name, address, or business status, please complete the change of address form in the *Payroll Tax Deposit Coupon* (DE 88) booklet. **Do not alter the preprinted data on the front of the *Annual Reconciliation Return* (DE 7).**
- **If an employer overpays UI or ETT, EDD will refund the overpayment.**
- **If an employer overpays SDI or PIT, EDD will refund the overpayment only if the employer can show proof the money has been refunded to the employee.**

**NOTE:** Please **do not** send Forms W-2 to EDD (see page 75 for more details).



**YEAR-END  
PAYMENT DUE**

If "Line J" on the *Annual Reconciliation Return* (DE 7), shows payroll taxes due, prepare a *Payroll Tax Deposit Coupon* (DE 88). Please refer to page 42 of this guide for *Payroll Tax Deposit* preparation instructions. Please send the deposit coupon, with the amount due to the Department using the preprinted EDD envelope. The *Payroll Tax Deposit Coupon* (DE 88) and payment must be mailed in a separate envelope from the *Annual Reconciliation Return* (DE 7).

**COMMON ERRORS  
TO AVOID - DE 7**

The following is a list of common errors **that may occur** when the *Annual Reconciliation Return* (DE 7) is prepared. Reviewing this list may help you avoid these errors:

- **Mailing a payroll tax payment with the *Annual Reconciliation Return* (DE 7).** Payroll tax payments should be mailed in a separate envelope with a *Payroll Tax Deposit Coupon* (DE 88).
- **Using a reconciliation form that the Department has not approved.**
- **Sending a poor quality magnetic tape or using an incorrect format.** Correcting a magnetic tape is time consuming and expensive.
- **Using the wrong employer account number on the reconciliation form.** When you have more than one business and use different employer account numbers for your businesses be sure to use the correct preprinted form for each business.
- **Notifying EDD of a change in ownership or business name, but not clearly explaining the change.**
- **Leaving blank boxes on the reconciliation return.**
- **Omitting your signature from the form.**

**HOW TO CORRECT  
AND AMEND  
ANNUAL  
RECONCILIATION  
RETURNS**

If a correction is needed on a previously submitted *Annual Reconciliation Return* (DE 7), prepare a *Tax and Wage Adjustments Form* (DE 678). For additional information, refer to page 57.

The *Annual Reconciliation Return* (DE 7) reconciles the UI, ETT, SDI, PIT reported during the year on the *Payroll Tax Deposit* coupons and total subject employee wages reported on the *Quarterly Wage and Withholding Reports* (DE 6).

**LOST ANNUAL  
RECONCILIATION  
RETURN - FILING  
AN INFORMAL  
RETURN**

If your *Annual Reconciliation Return* (DE 7) is lost or damaged, request a replacement form from your local ETC SO (see directory on page 8). If a form cannot be obtained prior to the delinquency date, file an informal return to avoid penalty and interest charges. A detailed list of the information needed to file an informal return and the address to mail the return to is provided on pages 17 and 18 of this guide.

<sup>2</sup> Section 1080(a)(e) of the CUIIC.  
DE 44 Rev. 24 (9-97) (INTERNET)

**CORRECTING PRIOR  
PAYROLL TAX  
DEPOSITS,  
QUARTERLY WAGE  
REPORTS, AND  
ANNUAL  
RECONCILIATION  
RETURNS**

With the change to annual reconciliation, EDD no longer reconciles employer accounts each quarter. This eliminates the need for employers to notify EDD of incorrect fund payments or allocations throughout the year. To help clarify when EDD needs to be notified of adjustments and how adjustments are to be made, we have prepared the following chart.

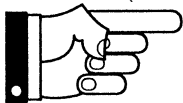
REASON FOR ADJUSTMENT	HOW TO MAKE AN ADJUSTMENT	FORM TO USE
Overpaid UI, ETT, SDI, or PIT on a <i>Payroll Tax Deposit</i> (DE 88) coupon prior to filing the <i>Annual Reconciliation Return</i> (DE 7).	On the next DE 88, reduce the fund(s). Do not show credits on the deposit coupon.	<i>Payroll Tax Deposit Coupon</i> (DE 88) For additional information refer to page 47.
Underpaid UI, ETT, SDI, or PIT on a DE 88 prior to filing the DE 7.	On a DE 88, pay delinquent amounts plus penalty and interest.	<i>Payroll Tax Deposit Coupon</i> (DE 88) For additional information refer to page 47.
Overpaid UI, ETT, SDI, or PIT on an Electronic Funds Transfer (EFT) prior to filing the DE 7.	On your next EFT transaction, reduce the fund(s). Do not show credits on an EFT transaction.	EFT transaction
Underpaid ETT, SDI or PIT on an EFT prior to filing the DE 7.	Initiate two separate EFT transactions, one for the delinquent fund(s) and another for the calculated penalty and interest amount.	EFT transaction
Allocated the wrong amounts to specific funds on the DE 88	Do not file a correction form. EDD will make the necessary adjustments at the end of the year when your DE 7 is filed.	<i>Annual Reconciliation Return</i> (DE 7)
Failed to report wages and/or PIT on employees never reported to EDD.	File a <i>Tax and Wage Adjustments Form</i> (DE 678) reporting the employees, their SSNs, wages and PIT withheld.	<i>Tax and Wage Adjustments Form</i> (DE 678)
Failed to correctly report wages and/or PIT information on employees previously reported to EDD.	File a DE 678 listing the correct information and/or wages.	<i>Tax and Wage Adjustments Form</i> (DE 678)
Overpaid taxes and/or withholding and it is not feasible to offset the overpayment against your next tax deposit.	File a DE 678 requesting a refund. This is for a refund prior to filing the year-end Annual Reconciliation Return.	<i>Tax and Wage Adjustments Form</i> (DE 678)
Filed incorrect information on the DE 7	File a DE 678 with the correct information.	<i>Tax and Wage Adjustments Form</i> (DE 678)

\*Mandatory EFT filers are subject to noncompliance penalty if an SDI/PIT deposit is paid by check with a DE 88.

## FORMS MOST FREQUENTLY USED

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### CORRECTING PRIOR PAYROLL TAX DEPOSITS, QUARTERLY WAGE AND WITHHOLDING REPORTS, AND ANNUAL RECONCILIATION RETURNS (cont.)



The new DE 78 has been designed to make it easier for employers to report corrections to the tax payments and employee wage information they previously reported. Detailed instructions are provided on the DE 678I. If you have any questions about when or how to use the form, please contact your local ETC SO (see directory on page 8.)

For further information about adjusting previously reported employment taxes or wages, or to obtain forms, please contact your nearest ETC SO (see directory on page 8.)

#### NOTE:

- Employers who pay taxes using a *Quarterly Report Form* (DE 3D) for voluntary plan reporting, or a *Quarterly Contribution Form For School Employees* (DE 9423) should use the *Quarterly Return Adjustment Form* (DE 938) to make corrections needed to previously submitted reports.
- Employers are required to compute and report taxes owed to the nearest penny. **Do not** round off taxes to the nearest whole dollar amount.

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### EMPLOYER ACCOUNT STATEMENT (DE 2176)

The *Employer Account Statement* (DE 2176) is used to inform employers of current and outstanding liabilities, assessments, form delinquencies, payments, and the status of their account balance when taxes are due. If a monetary discrepancy or form delinquency occurs, EDD's automated accounting system generates a statement to the employer. If you are making a payment as the result of a DE 2176, you need to be sure to return the tear off remittance portion along with the payment. This will ensure that your payment is properly applied to your account. **Do not** use a DE 88 to make a payment for a DE 2176.

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#### DID YOU KNOW?

Effective July 1, 1998, all employers are required to report new hires to EDD within 20 days of the start-of-work date.

Employers may use the Report of New Employee(s) (DE 34), federal Form Employees Withholding Allowance Certificate (W-4) to report their new employees, to or magnetic media to report new employees.

For additional information see page 36.

## UNEMPLOYMENT INSURANCE PROGRAM

### PURPOSE

The purpose of Unemployment Insurance (UI) is to provide financial assistance to people who are temporarily out of work through no fault of their own. In California, this program is financed entirely by employers through a payroll tax based on the first \$7,000 in wages paid to each employee each year. Employers are required to pay their accumulated UI taxes four times a year.

### UI TAX PROGRAM

#### EXPERIENCE RATED METHOD OF PAYING FOR UI BENEFITS

The **experience rating method**, described in "How The UI Tax Is Determined" (refer to page 60), is the method used by the majority of employers. Public employers and nonprofit organizations have the option of becoming a "reimbursable" employer.

#### REIMBURSABLE METHOD OF PAYING FOR UI BENEFITS

Employers electing the **reimbursable method**, also known as the cost-of-benefits method, are required to reimburse the UI fund on a dollar-for-dollar basis for all benefits paid to their former employees and charged to their accounts. Reimbursable employers are billed quarterly and payment is due within 30 days from the statement date. For public employers, financing under the reimbursable method must remain in effect for two complete calendar years. For nonprofit employers, financing under the reimbursable method must remain in effect for five complete calendar years. Employers, who terminate their reimbursable coverage, remain liable for UI benefits paid to employees covered under this program for a period of three calendar years.

For additional information on the reimbursable method please contact:

**Employment Development Department  
Reimbursable Accounting Group, MIC 19  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**(916) 324-1600**

#### SCHOOL EMPLOYEES FUND METHOD OF PAYING FOR UI BENEFITS

Public school districts (kindergarten through 12th grade) and community colleges may elect to participate in the **School Employees Fund (SEF)**, which is a special reimbursable financing method available for school districts. For further information, call the School Employees Fund Unit at (916) 324-1687.

#### ADDITIONAL INFORMATION REGARDING EXPERIENCE RATED METHOD AND REIMBURSABLE METHOD

For a more detailed explanation of the "Reimbursable" or "Experience Rated" method of paying for UI benefits, the following information sheets may be obtained by contacting your local ETC SO (see directory on page 8), or by using the order form provided on page 1. You may also call the Special Coverage and Support Group at (916) 654-8203.

SUBJECT	INFORMATION SHEET/ PUBLICATION NUMBER
California System of Experience Rating	DE 231Z
Potential Liability Under the Reimbursable Method	DE 1378F

## UNEMPLOYMENT INSURANCE PROGRAM

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### HOW THE UI TAX RATE IS DETERMINED

#### Tax Rate Schedules

UI tax rates are based on one of seven tax rate schedules (AA through F) established by law.<sup>1</sup> The first step in the annual process of establishing the UI tax rates for the calendar year is to determine which of the seven tax-rate schedules will be in effect. All employers are assigned UI tax rates from the same rate schedule each calendar year.

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#### Individual Employer Tax Rates

A UI reserve account is set up when an employer registers with EDD. For the first three tax years, the UI rate is set at 3.4 percent (.034). In the fourth year, the UI rate is calculated based on each employer's previous experience. All UI taxes paid, taxable payroll reported, benefit charges, and prorated credits and charges to the UI reserve account are used in establishing each employer's individual UI tax rate.

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#### Notice of Tax Rates

Each December, EDD notifies employers of their UI, ETT, and SDI tax rates and taxable wage limits for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088).

Rate information can also be **obtained by calling the Contribution Rate Group's 24-hour automated call system at (916) 322-0507**. A reference guide for using the system can be obtained by calling the system and requesting a *Quick Reference for Automated Call Processing System*, DE 415.

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#### New Employer UI Tax Rate

The new employer UI tax rate is 3.4 percent (.034) for the first three tax years (a tax year can be as short as one day or as long as 366 days.)

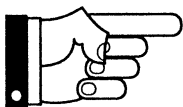
If a new employer buys an established business, he/she has the option of acquiring the previous owner's UI tax rate. Please see the following section, Reserve Account Transfers, for additional information.

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#### Reserve Account Transfers

When an employer acquires all or part of an ongoing business, the employer may request the previous owner's UI reserve account balance be transferred to the new ownership. If the transfer is approved by EDD, the UI tax rate will be re-determined and may result in an immediate rate reduction. The application for transfer will automatically be returned if the transfer will increase the current tax rate. The new owner has the option to accept the rate increase or to continue at their present rate.

For further information regarding reserve account transfers, please contact the Contribution Rate Group at (916) 322-0507.



#### NOTE:

- If a UI reserve account transfer has been processed, the employer receiving the transfer will be notified of the appropriate tax rate for the remainder of the year.
- Employers who receive a reserve account transfer accept responsibility for the unemployment insurance benefit charges for the previous owner's former employees. **This may increase your tax rate in future years.**
- A reserve account transfer cannot be reversed once it has been completed.

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<sup>1</sup> Section 977 of the CUIIC.

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## UNEMPLOYMENT INSURANCE PROGRAM

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### Data Exchange Alternatives: Magnetic Media

Employer agents, accountants, and bookkeepers may obtain the UI tax rates of their clients on magnetic tape or diskettes. Employers as well as employer representatives may also obtain the benefit charges on magnetic media.

To obtain information about magnetic media regarding UI rates or benefit charges, contact:

**Employment Development Department  
Contribution Rate Group, MIC 4  
P.O. Box 826880  
Sacramento, CA 94280-0001  
(916) 322-0507**

### How to Appeal Your UI Tax Rate

Any item on the *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) can be protested, except the SDI and ETT tax rates, which are specifically set by law. The protest must be filed in writing within 60 days of the mail date shown on the notice, unless an extension is requested and approved for "good cause." When filing a protest, you must include your employer account number, the specific item(s) you are protesting and why you are protesting the tax rate. Mail your protest to:

**Employment Development Department  
Contribution Rate Group, MIC 4  
P.O. Box 826880  
Sacramento, CA 94280-0001**

You may call (916) 322-0507 for additional information.

If a protest has been denied by EDD, an appeal may be filed with the California Unemployment Insurance Appeals Board. All denials will include instructions on how to file an appeal.

### Voluntary UI Contributions

A voluntary UI contribution is an additional payment to your UI reserve account for the purpose of reducing your tax rate for that year. It is a one-time payment and is nonrefundable. **Before considering a voluntary UI payment**, employers need to determine if an additional payment, plus the quarterly UI tax payments they would pay during the year, will actually be less than making quarterly UI tax payments at the rate originally assigned by EDD.

In years when the Voluntary Contribution option is available (only when Contribution Rate Schedules AA through D are in effect), EDD sends a *Voluntary UI Contribution Notice* (DE 2088A) along with a worksheet to help employers determine if they would benefit from making a voluntary UI payment. For assistance in completing the worksheet or for additional information, please contact the Contribution Rate Group at (916) 322-0507.

### Statement of Charges

The charges to your reserve account for UI benefits paid to former employees are mailed to you in October on a *Statement of Charges to Reserve Account* (DE 428T). This statement is an itemized list of charges to your reserve account and covers a one-year period from July 1 through June 30. These charges reflect UI benefits paid to former employees who were eligible to receive them. If you acquire all or part of another business and choose to transfer the reserve account, you may be charged for the benefit charges of that business's former owner.

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## UNEMPLOYMENT INSURANCE PROGRAM

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### How to Appeal Your Statement of Charges

You should protest charges to your reserve account when:

- You have a favorable ruling; that contains an incorrect claim date, claimant Social Security Number, or employer's reserve account number.
- You were issued a favorable ruling but it was not reflected on your DE 428T.
- You disagree with any of the charges to your reserve account.

Your protest to the DE 428T will be denied if:

- The basis of your protest is the claimant's eligibility for UI benefits.
- You failed to respond timely to the original claim notice.

If benefit charges appear on your statement that involves an appeal that is still pending, you do not need to file another protest. If you receive a favorable decision, the charges will be removed from your reserve account.

Your protest must be in writing and received by EDD within 60 days from the mail date on the DE 428T. To help expedite the processing of your protest, please use the suggested format provided in the instructions included with the DE 428T.

If you have a favorable ruling stating your reserve account is not subject to charges, please include a copy with your protest.

You may request a 60-day extension for filing the protest. The extension request must be in writing and must show "good cause" for requesting additional time.

Protests or requests for extension of time to file a protest should be mailed to:

**Employment Development Department  
Contribution Rate Group, MIC 4  
P.O. Box 826880  
Sacramento, CA 94280-0001**

Due to the volume of protests received, it may take three to nine months before you receive a response to your letter of protest. If the charges are removed, you will receive a DE 2088.

An appeal may be filed with the California Unemployment Insurance Appeals Board after a protest has been denied by EDD. All denials will include instructions on how to file an appeal.

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### Tips for Reducing Your UI Tax Rate

- Maintaining a stable workforce will save UI taxes since you pay on the first \$7,000 of wages for each employee. High employee turnover also increases the potential for benefits to be charged to your reserve account.
- Submitting your UI payments within the required time limits, along with accurately completed *Payroll Tax Deposit Coupons* (DE 88), will ensure your payments are included in calculating your UI tax rate for the following year.
- Conducting and documenting exit interviews to help you to know why an employee is leaving. This may result in changes to company policies or procedures that will assist you in retaining your employees.
- Permitting leaves of absence may help keep fully trained personnel.

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## UNEMPLOYMENT INSURANCE PROGRAM

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### **Tips for Reducing Your UI Tax Rate (cont.)**

- Keeping good personnel records to justify any action taken. Give written warnings prior to discharging an employee and keep a copy of these written notices and other supporting information.
  - Protesting UI claims for benefits for prior employees who you believe are not eligible for benefits (i.e., employee voluntarily quit or was discharged for misconduct, etc.). Written documentation of the exit interview may be important in establishing your protest.
  - Answering UI claim notices promptly, accurately, and in detail.
  - Rehiring former employees who are currently receiving UI benefits that may be charged against your reserve account.
  - Reporting refusals of work to EDD.
  - Providing clear, specific answers to telephone interview questions from EDD personnel.
  - Auditing the DE 428T and reporting inaccuracies within the protest time limits.
  - Bringing witnesses with first hand knowledge of pertinent facts when attending a hearing.
- 

### **UI BENEFIT PROGRAM**

#### **HOW UI BENEFITS ARE ADMINISTERED**

##### **How Benefits are Paid**

The California UI program is funded through taxes paid by employers. These taxes are placed in the Unemployment Insurance Fund, from which benefits are paid to qualified claimants. The individual reserve account established for each employer has no monetary value. The reserve account is an accounting device used to keep track of payments and charges made against the employer's account to determine their UI tax rate annually. For additional information, please refer to "Individual Employer Tax Rates" on page 60.

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##### **Benefit Award**

The maximum amount of UI benefits payable to a claimant during a benefit year is 26 times his/her weekly benefit amount, or one-half total base period earnings, whichever is less. The benefit year is a 52-week period starting on the effective date of a new UI claim. After establishing a benefit year, a claimant who interrupts his/her claim (by returning to work, being unavailable for work, etc.) may again claim benefits by filing an additional or reopened claim during the benefit year. The base period on which the level of benefits is determined is a 12-month period that is determined by the effective date of a UI claim. The quarter in which the claimant earned the highest wages determines the weekly benefit amount received.

- The maximum weekly UI benefit award is \$230.
  - The minimum weekly UI benefit award is \$40.
  - The maximum amount that can be charged to a reserve account is \$5,980.
-



## UNEMPLOYMENT INSURANCE PROGRAM

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### UI Benefit Qualifications

To file a claim for benefits, claimants must:

- Be unemployed through no fault of their own.
- Be totally or partially unemployed and registered for work with EDD.
- Be physically **ABLE TO WORK** in their usual occupation, or in other work for which they are reasonably qualified.
- Be **AVAILABLE FOR WORK**, which means ready and willing immediately to accept suitable work in their usual occupation, or in an occupation for which they are reasonably qualified.
- Be **Actively SEEKING WORK** on their own behalf.
- Have received a minimum amount of wages during the base period. For additional information, please refer to Qualifying UI Wages, below.
- Comply with regulations in regard to filing claims.

Once a claim is filed, a claimant may be ineligible for UI benefits if he/she:

- Was discharged for misconduct. (Proof of discharge for misconduct rests with the employer.)
- Voluntarily quit (includes quitting for personal reasons, to go to school or to move, etc.).
- Worked for a school and has reasonable assurance of returning to work.
- Left work because of a trade dispute.
- Refused suitable work.
- Failed to take part in reemployment services.
- Failed to apply for a job when referred by a public employment office.
- Failed to make reasonable efforts to get work.
- Made false statements or withheld information for the purpose of claiming UI benefits.
- Is not legally entitled to work in the United States.
- Is not able to work or is not available for work.
- Is working full-time or has earned wages over \$25.99.

An individual is not eligible for UI benefits if he/she is out of work because a **trade dispute** is in progress. Because EDD must decide whether a claimant is disqualified from receiving benefits in a trade dispute situation, certain facts are needed. During a trade dispute, regulations require employers to respond to notices EDD sends to them.

Certain types of employees are not covered for UI benefits. For additional information, please refer to the Appendix for Types of Employment on page 81, and Types of Payments on page 89.

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### Qualifying UI Wages

To have a valid UI claim, individuals must meet certain earning requirements and must have:

- Earned \$1,300 or more in **covered employment** in one quarter of the base period;
- OR
- Earned \$900 or more in **covered employment** in the base period quarter with the highest earnings, and earned at least 1.25 times the high quarter earnings during the entire base period.

Certain types of payments made to employees are not considered covered employment (wages) for UI purposes. For additional information refer to the tables on pages 81 through 95. These tables show if certain types of jobs and types of income are taxable for UI. If the tables show a job or type of income is "not subject" to UI, then UI benefits would not be paid on those wages.

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## UNEMPLOYMENT INSURANCE PROGRAM

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### UI Eligibility Determination

The EDD schedules fact-finding interviews when there are eligibility questions regarding a claim. The EDD staff will talk to the claimant and anyone else necessary to make a decision. Based on the decision, benefits will either be paid or denied. If benefits are denied, a notice will be issued to the claimant. If the employer responds timely and addresses the issue, a notice will also be sent to him/her.

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### Voluntary Federal Income Tax Withholding

The General Agreement on Tariffs and Trade Act of 1994 allows individuals receiving unemployment compensation to voluntarily request that federal income tax be withheld from their benefit payments. The amount withheld is 15 percent of the payable weekly benefit amount. Federal income tax withholding is requested using the continued claim form.

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### THE UI CLAIMS PROCESS

#### Notices to Employers

A *Notice of Unemployment Insurance Claim Filed* (DE 1101CZ) is mailed to the last employer when a former employee files a new UI claim or an existing claim is reopened.

A *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) is mailed to all base-period employers, because all or part of the benefits paid may be charged to their reserve account. This notice is sent after the claimant receives the first UI payment and tells each employer the amount of potential charges to their UI reserve account for this claim.

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#### Data Exchange Alternative: Electronic Data Interchange

Employers, employer agents, accountants, and bookkeepers may obtain the DE 1545 electronically. To obtain information about electronic data interchange please contact:

**Employment Development Department  
Contribution Rate Group, MIC 4  
P.O. Box 826880  
Sacramento, CA 94280-0001  
  
(916) 445-0750**

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#### Responding to Notices

You do not need to respond to these notices if the employee has been laid off for lack of work and:

- you do not dispute the legitimacy of the claim; **and**
- the employee's name and Social Security Number are correct.

If you believe the claimant is not entitled to benefits, it is important to protest in writing to the first notice received. Your response must include any facts that may affect the claimant's eligibility for UI benefits or the potential liability of your UI reserve account for benefits paid to the claimant.

Instructions are included with these forms detailing what the protest should contain and where to mail it. Protests may be written on the claim form itself or included in a separate letter containing the following information:

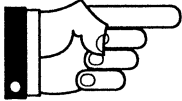
- Employer's account number, name, and address.
- Claimant's name and Social Security Number.
- Beginning date of the claim.
- Date of separation from employment.
- Dates of separation(s) and rehire(s) during the quarters shown on the DE 1545.

## UNEMPLOYMENT INSURANCE PROGRAM

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### Responding to Notices (cont.)

- Information supporting your belief of the claimant's ineligibility. (See page 64 for list of disqualifying events.) Protests should include specific facts and circumstances, not general statements, e.g., "employee was fired for misconduct" should be supported with specific events and documentation. This will result in better eligibility decisions based on the facts.
- A protest to the DE 1545 should also include separation information on why the employee left your employment.
- The protest should be signed by the person having personal knowledge of the facts, or access to records containing the facts.



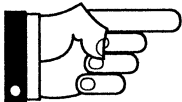
**NOTE:** If a written protest is not submitted, rights to protest your UI reserve account's potential liability for benefits paid to the claimant and your rights to appeal are waived.

### Subsequent Benefit Year

If you receive a notice that a subsequent benefit year has been established, you must re-submit any facts you furnished on the initial DE 1101CZ to be entitled to a determination and/or ruling based on such facts for the later benefit year.

### PROTEST TIME LIMITS

Protest Time Limits	
Protest to:	Postmarked within:
<i>Notice of Unemployment Insurance Claim Filed</i> (DE 1101CZ)	10 calendar days of the mailing date.
<i>Notice of Wages Used for Unemployment Insurance (UI) Claim</i> (DE 1545)	15 calendar days of the mailing date for separation information. 20 calendar days of the mailing date for wage information.



**NOTE:** If you respond late, explain the reason for the delay as the above time limits may be extended for good cause. If the reason is determined not to be for good cause, a *Response To Employer Communication* (DE 4614) will be issued. This form can be appealed if you do not agree with the determination.

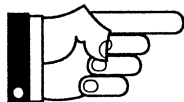
### False Statement Penalty

An employer may be assessed a cash penalty from two to ten times the claimant's weekly benefit amount if it is determined that the employer, employer representative, employer officer, or employer agent willfully made a false statement, representation, or failed to report a material fact concerning the claimant's termination of employment.

An employer may be assessed a penalty, in an amount equal to 100 percent of UI benefit overpayments and penalties charged to a claimant(s), resulting from the employer influencing or persuading his/her employee(s) to file a false or fraudulent claim for UI benefits<sup>2</sup>.

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<sup>2</sup> Section 1144 of the CUIC

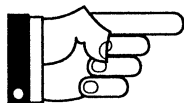
**Notices of  
Determination,  
Ruling or  
Modification**

You can receive one of the following four notices in reply to eligibility issues you reported on the DE 1101CZ or the DE 1545

- *Notice of Determination* (DE 1080CT) — Sent to an employer who responds timely with eligibility information other than a voluntary quit or discharge. Only the last employer will receive this notice.

**NOTE:** A determination for other than a separation issue of eligibility does not relieve benefit charges to your reserve account.

- *Notice of Determination/Ruling* (DE 1080CT) — Sent to an employer who responds timely with eligibility information regarding a voluntary quit or discharge. The ruling portion of this notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
- *Notice of Ruling* (DE 1080CT) — Sent to an employer who responds timely to a DE 1545 with separation information. The separation must have occurred during the base period of the claim. This notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
- *Notice of Modification* (DE 1080M) — Sent to the employer who previously received a DE 1080CT. The purpose of this form is to inform the employer that the claimant's disqualification period is over.



**NOTE:** Employers who finance UI coverage under one of the reimbursable financing methods receive *Notices of Determination* but do not receive *Notices of Ruling*.

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**Appeals Process  
Regarding UI  
Benefits**

The appeals process is administered by a separate, independent agency - the California Unemployment Insurance Appeals Board (CUIAB). The CUIAB consists of seven members appointed by the state Legislature and the Governor. There are two levels of appeal - the first step is an appeal to an Administrative Law Judge (ALJ), the second is to the CUIAB.

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**Administrative  
Law Judge**

If an employer disagrees with the final decision made by EDD, he/she has the right to appeal the decision to an ALJ. The appeal must be made within 20 calendar days of the mailing date of EDD's *Notice of Determination/Ruling* (DE 1080CT). Appeal request forms are available from EDD. Employers may also file an appeal by writing a letter to EDD at the return address on the *Notice of Determination* (DE 1080CT). The letter should include the employer's address, telephone number, employer reserve account number and the reason for the appeal.

The parties will be notified of the time and place of the hearing at least 10 days in advance. The ALJ will conduct an informal hearing, giving both sides the opportunity to present their evidence. The CUIAB provides the following two publications to help in preparing for UI appeals hearings:

1. *Unemployment Appeals - A Guide for Claimants, Employers, and Their Representatives* (DE 1434) and
2. *Appeals Procedure* (DE 1433).

For copies of these publications, contact:

**Office of the Chief Administrative Law Judge  
2400 Venture Oaks Drive, Suite 150  
Sacramento, CA 95833**

The written decision of the ALJ is mailed to the parties, setting forth the evidence presented and the reasons for the ALJ's decision. Information describing your rights to appeal an adverse decision to the CUIAB will also be included.

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## UNEMPLOYMENT INSURANCE PROGRAM

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### California Unemployment Insurance Appeals Board (CUIAB)

If you disagree with the ALJ's decision, your next step is an appeal to the CUIAB. You have **20 calendar days** from the date of the ALJ's decision to appeal. Appeal request forms are available from the CUIAB, but either party may simply write a letter identifying the parties, the case number, and relating all facts and arguments on which the appeal is based. Mail or deliver the appeal request to your local office of appeals listed in your telephone book under "State Government, Appeals Board - Unemployment Insurance".

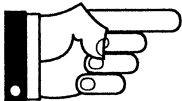
The CUIAB will confirm receipt of the appeal and advise both parties of the procedural options available to them. The parties have 10 days from receipt of the notice to request written or oral argument. Since the purpose of an appeal to the CUIAB is to have the Board review the decision of the ALJ, the acceptance of any additional evidence is at the Board's discretion.

The Board will issue a written decision. At this time, all administrative remedies have been exhausted. If a party disagrees with the Board's decision, an appeal may be made to the Superior Court.

### Appeal Time Limits

APPEAL TIME LIMITS	
Appeal to an:	Appeal within:
EDD determination or ruling	20 calendar days of the mailing date.
ALJ's decision	20 calendar days of the mailing date.

### Benefit Audits to Determine Fraud



Each quarter, as part of EDD's fraud detection efforts, *Benefit Audit Forms* (DE 1296B) are mailed to employers requesting wage information for specific weeks that their employees may have worked. The information provided by the employer on the DE 1296B is used by the Department to identify individuals who may have improperly received UI benefits for weeks, in which they actually worked and had earnings. The audit process leads to the recovery of unauthorized benefit payments and the reversal of related charges to the employer's reserve or reimbursable account.

**NOTE:** Employer response to the audit process is required by law.

The EDD is now conducting follow-up contacts with employers who do not voluntarily respond to these audit requests. The EDD staff is available to provide employers with assistance in completing the form, replacing audit forms and by granting time extensions for completing the audits. Employer cooperation is essential to detect fraud and to protect the integrity of the UI program.

Questions or comments about the benefit audit process should be sent to:

**EDD, Overpayment Program  
Group Manager, MIC 16A  
P.O. Box 3038  
Sacramento, CA 95812-3038**

**Telephone: (916) 464-2350  
Fax: (916) 464-2550**

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**Back Pay Award** Employees who received UI benefits and later receive back pay awards or settlements for the same period, must repay EDD an amount equal to the UI benefits received. **At the employer's request**, the local UI field office will determine the amount of the UI benefits to be repaid. An overpayment will be established and the claimant and the employer will be notified. ("Employer" refers to both tax rated and reimbursable employers.)

If the back pay award agreement states that the employer shall withhold overpayment amounts from the back pay award or settlement, the employer is responsible for submitting the amount withheld to EDD to clear the overpayment. The reimbursable employer will receive a credit against the future charges only after the liability has been paid. For further information contact:

**Employment Development Department  
Backpay Awards Coordinator, MIC 8  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**(916) 464-2333**

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## **LAYOFF ALTERNATIVES**

**Partial UI Claims** A partial UI claim can be used for any claimant who meets the requirements for partial employment status. The claimant must work less than normal full-time hours because of lack of work. If the claimant has no wages (does not work) for two weeks, the claim changes to a regular UI claim. Participation in this program may increase the employer's UI tax rate.

A *Notice of Reduced Earnings* (DE 2063) is prepared by the employer and issued to regular full-time employees (1) who are laid off for a period of not more than two consecutive weeks; (2) whose normal earnings are reduced by lack of work.

For more information about partial UI claims, please contact the UI office nearest you (see directory on page 9.)

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## **Work Sharing Program**

The Work Sharing program is available to employers who reduce employee wages and hours as an alternative to a temporary layoff. The affected work force or work unit(s) must consist of two or more employees. At least 10 percent of the total work force or 10 percent of the specified work unit(s) must participate in the program. The employer must sign a six-month Work Sharing contract with EDD. If, during the period of the contract, the employer does not meet the Work Sharing requirements, the business will be taken off the program.

Employees participating in the Work Sharing program must have at least a 10 percent reduction in hours worked and wages earned. If the claimant has no wages for three weeks, the claim changes to a regular UI claim. Participation in this program may increase the employer's UI tax rate because Work Sharing employees often receive UI benefits on a regular basis. These charges lower the balance of the employer's reserve account and provide a potential for a higher UI tax rate in future years.

Employers who are interested in participating in the program or who would like additional information should contact:

**Special Claims Office  
P.O. Box 269058  
Sacramento, CA 92826-9058**

**Telephone: (916) 464-3300  
Fax: (916) 464-3342**

## UNEMPLOYMENT INSURANCE PROGRAM

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### **NORTH AMERICAN FREE TRADE AGREEMENT**

The North American Free Trade Agreement (NAFTA) Implementation Act of 1993 amended the Trade Act of 1974 to establish the NAFTA - Transitional Adjustment Assistance (NTAA) program. This program provides training, weekly income support while in training, job search assistance, and relocation assistance to individuals who are out of work because their employer transferred production to Canada or Mexico, or because of increased imports from those countries. Workers may contact any local EDD office to obtain an application.

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### **TRADE ADJUSTMENT ASSISTANCE**

This program was established under the Trade Act of 1974 to help American workers who have lost work as a result of increased imports. Eligible workers receive Trade Readjustment Allowance (TRA) during periods of unemployment. The program also provides training, job search assistance, and relocation assistance. Workers may contact their local EDD UI Office to request an application, or they may notify the U.S. Department of Labor's Office of Trade Adjustment Assistance directly. Please refer to page 35 of this guide for more information.

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#### **DID YOU KNOW?**

EDD's Employment Tax Customer Service Offices provide seminars to help employers understand their responsibilities regarding California employment taxes. To find out about a seminar near you call one of the following telephone numbers:

Downey	(582) 923-1237
Laguna Hills	(714) 768-6102
Sacramento	(916) 464-3502
San Jose	(408) 277- 9405

**HISTORY**

In 1982, the California State Legislature created the Employment Training Panel (ETP) as a cooperative business labor program to provide employers with skilled workers and provide workers with good, long-term jobs. The Legislature also established the Employment Training Tax (ETT). All tax rated employers, including new employers with a 3.4 percent (.034) tax rate, are subject to ETT. Employers with positive reserve accounts are assessed 0.1 percent (.001) of the first \$7,000 of each employee's wages. Employers do not pay ETT while their reserve accounts have a negative reserve balance; however, they must pay a higher rate of unemployment insurance (UI) taxes. The maximum ETT collected is \$7 per employee per year.

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**PURPOSE**

The ETT provides funds for training employees in targeted industries to improve California companies' competitiveness in the economy. Approximately \$80 million in job training funds are provided annually to California employers. ETP has placed special emphasis on training small businesses with fewer than 100 employees.

The ETP-funds programs for new hire training, retraining of current employees, and Special Employment Training (SET). This training is used to improve California's economy by training new workers for full-time employment and retraining workers in danger of being displaced as a result of economic conditions, changes in technology in the work place, or aggressive foreign and domestic competition.

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**WHO SHOULD APPLY?**

The ETP contracts with tax-rated employers, groups of employers, training agencies, and Private Industry Councils. The ETP funds training to promote a healthy labor market in a growing, competitive economy. In general the Panel funds training to:

- Help companies facing out-of-state competition by upgrading the skills of current employees.
  - Upgrade workers' skills in areas where there are shortages.
  - Hire and train unemployed workers eligible to receive UI.
  - Provide special, unique training in areas such as defense conversion or emerging technologies.
- 

**HOW IS ETP DIFFERENT? (EMPLOYERS, LABOR AND GOVERNMENT WORKING TOGETHER)**

The employer selects the courses, trainers, and type of training that best meet their company's needs. The ETP's performance-based standards ensure that training results in jobs. The ETP funds are not earned until the trainee completes training, has been placed, or retained in a full-time job for at least 90 days, using the skills learned during the training, and earns a salary as specified in the training agreement.

For additional information, call the ETP office nearest you (see directory on page 8) or contact:

**Employment Training Panel**  
**1100 "J" Street, 4th Floor**  
**Sacramento, CA 95814**

**Telephone: (916) 327-5640**  
**Fax: (916) 327-5260**

**Internet address: <http://www.etp.cahwnet.gov>**

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**DID YOU KNOW?**

If you need advice or assistance to complete your Payroll Tax Deposit (DE 88), Quarterly Wage and Withholding Report (DE 6), or Annual Reconciliation Return (DE 7) contact the Employment Tax Customer Service Office nearest you. (refer to the directory on page 9)



## STATE DISABILITY INSURANCE

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### PURPOSE

The State Disability Insurance (SDI) program provides benefits to eligible workers experiencing a loss of wages when they are unable to perform their usual work because of pregnancy, non-occupational illness, or non-occupational injury. Work-related disabilities are covered by workers' compensation laws. The SDI program is funded by withholdings from employee wages.

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### SDI TAXES - WHO PAYS FOR SDI COVERAGE?



Employees pay for SDI and its administration. Although coverage is mandatory, employers may choose to cover their employees under a private plan rather than the state plan. Refer to "Voluntary Plan For Employees" on page 73 for more information. Those not choosing a voluntary plan are covered under the state plan. Taxes are to be withheld at the designated rate, 0.5 percent (.005) in 1998, from each employee's wages until they have reached the taxable wage limit (in 1998 the taxable wage limit is \$31,767) for the calendar year.

The SDI tax rate may be adjusted annually to not more than 1.3 percent (.013) nor less than 0.1 (.001) percent depending on the balance in the SDI fund. Employee contributions withheld are paid by the employer to either the:

- SDI Fund
  - OR**
  - A Voluntary Plan for Disability Insurance. Please refer to page 73.
- 

### EMPLOYEE BENEFITS

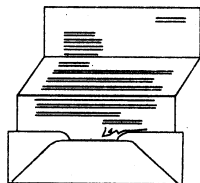
Eligible claimants may qualify for SDI benefits for each occurrence of disability. The *Disability Insurance Provisions Pamphlet* (DE 2515) contains a benefit rate schedule and eligibility information. **All California employers** with employees subject to SDI contributions are required to give a copy of this pamphlet to each new employee. The law also requires that this pamphlet be given to each employee leaving work due to:

- Non-occupational illness or injury
- Pregnancy

This pamphlet is provided to employers at no cost. Additional copies may be ordered by completing the order form on page 1.

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### Claim Notices



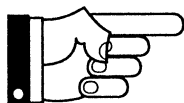
When an SDI claim is filed, the employer(s) shown on the SDI claim form will receive a *Notice of State Disability Claim Filed* (DE 2503). Completion and return of the DE 2503 **within two working days** is required when information known by the employer may affect the claimant's eligibility.

In addition, please assist EDD in combating disability fraud by responding immediately if:

1. The claimant:
  - is not your employee,
  - has quit his/her job,
  - has not stopped working,
  - is known to be working for another employer,

**OR**

2. You are not the employer shown on the Notice.



**NOTE:** Because SDI is a separate program from UI, the filing of a claim for SDI will not affect the employer's UI reserve account. Therefore, the DE 2503 is not the basis for a ruling, and the employer will not be notified of any determination as a result of the response on the DE 2503.

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**VOLUNTARY  
PLAN FOR  
EMPLOYEES**

California law allows employers to develop and apply to EDD for approval to administer a Voluntary DI Plan for short-term disability insurance. A Voluntary DI Plan must provide at least the same level of benefits and rights as the state plan does, and it may charge the employees no more for the coverage. The EDD oversees the Voluntary DI Plans, but employers are financially liable and subject to an assessment plus specific reporting requirements for their plan(s).

The law also allows for insured plans, subject to certain risk criteria. At present there are no such approved insured voluntary plans in operation.

More detailed information about establishing and operating a Voluntary Plan is available from:

**Employment Development Department  
Disability Insurance Branch, MIC 29  
P.O. Box 826880  
Sacramento, CA 94280-0001**

**(916) 654-8198**

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**EMPLOYERS AND  
SELF EMPLOYED  
BENEFITS**

Self-employed individuals and employers may elect to cover themselves under special provisions of the California Unemployment Insurance Code (CUIC).

Employers and self-employed individuals who elect coverage pay at a rate determined by prior annual combined usage of all participants. The contributions reimburse the SDI fund for disability benefits and administrative costs already paid and estimated to be paid. For further information on elective coverage, request *Information Sheet: Elective Coverage* (DE 231EC) and *Elective Coverage Information* (DE 2565) by using the order form on page 1 of this guide, or you may visit our Internet site at <http://www.edd.cahwnet.gov> (at EDD's home page choose Index of Services, then Disability Insurance, then Elective Coverage), or contact the Disability Insurance elective Coverage Unit at (916) 654-6288.

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**WORKERS'  
COMPENSATION  
INSURANCE**

If you have any employees, you are required by law<sup>1</sup> to have workers' compensation insurance. Failure to do so is a crime and may result in penalties and closure of your business.

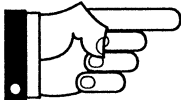
If you have questions about workers' compensation insurance, or how to obtain workers' coverage, you should contact your insurance agent or the State Compensation Insurance Fund at (800) 892-6000.

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**ADDITIONAL  
INFORMATION**

For additional information regarding SDI:

- Contact your local SDI office (see directory on page 9.); or
- Visit EDD's Web Site at <http://www.edd.cahwnet.gov> (at EDD's home page choose Index of Services, then Disability Insurance)



**NOTE:** To provide affordable benefits to eligible workers, the SDI program has systems in place to detect and deter fraud. Please report suspected fraudulent activity to your local SDI office.

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**DID YOU KNOW?**

Employers are required to keep payroll records for four years. However, EDD suggests payroll records be kept for at least eight years in case of an audit.

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<sup>1</sup> Section 3700.5 of the Labor Code  
DE 44 Rev. 24 (9-97) (INTERNET)

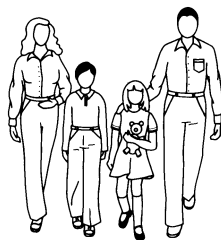
## CALIFORNIA PERSONAL INCOME TAX WITHHOLDING

### INTRODUCTION - WAGES TAXABLE FOR PIT WITHHOLDING

Wages subject to California Personal Income Tax (PIT) withholding consist of all compensation for services performed by an employee for his/her employer, with certain exceptions. Wages include, but are not limited to: salaries, fees (except fees paid to public officials), bonuses, commissions, and payments in forms other than cash or checks. Wages in any form other than cash or checks are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services.

Please refer to page 96 of the appendix for the PIT withholding schedule.

### MARITAL STATUS, WITHHOLDING EXEMPTIONS AND ALLOWANCES (DE 4 AND W-4)



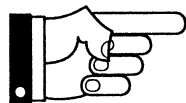
An Employee's Withholding Allowance Certificate (IRS Form W-4) can be used for California PIT withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than are claimed for federal withholding purposes, the employee should file a DE 4. For instance, California recognizes the "Head of Household" status and an employee would need to file a DE 4 to claim that status.

Use of the DE 4 is optional; however, if an employee files an *Employee's Withholding Allowance Certificate* (DE 4) for PIT, you must use it to determine California PIT withholdings.

Employees can claim additional withholding allowances, which are greater than their regular withholding allowances, if they expect to itemize deductions on their California income tax returns. When reduced withholding amounts are appropriate because of large amounts of itemized deductions, the employee **must** complete a DE 4, including the attached worksheets, to support additional allowances for the itemized deductions. For specific information on treatment of additional withholding allowances for estimated deductions, refer to "Instructions for additional withholding allowances for estimated deductions", page 96, and the "Estimated Deduction Table" on page 98.

An employee may request that no California PIT be withheld if:

- They incurred no liability for federal income tax for the preceding taxable year,
- AND**
- They anticipate that no federal income tax liability will be incurred for the current taxable year.



IF	THEN
Employee did not file a DE 4	The employer <b>must</b> use the marital status and allowances claimed (including any additional allowances) by the employee on the W-4 federal form to calculate and withhold California PIT.  <b>EXCEPTION:</b> Do not withhold any California PIT from wages of employees who have filed "EXEMPT" on their W-4 unless you receive a written notice from the Internal Revenue Service (IRS) or the Franchise Tax Board (FTB) to withhold at a special rate.
Employee filed a DE 4	The employer <b>must</b> use the DE 4 to calculate and withhold California PIT.  <b>NOTE:</b> To maintain "EXEMPT" status, the employee <b>must</b> file a new DE 4 or W-4 on or before February 15 of EACH YEAR.
Employee's marital status cannot be determined from the DE 4 or W-4	Consider the employee as single for California PIT withholding purposes.

## CALIFORNIA PERSONAL INCOME TAX WITHHOLDING

### EMPLOYER'S OBLIGATIONS FOR THE DE 4 OR W-4

If an employee files a W-4 for federal withholding purposes and the W-4 also meets state reporting requirements<sup>2</sup>, then filing the W-4 with the IRS also satisfies the state reporting requirement. Normally the employer retains the W-4 with the employee's payroll records.

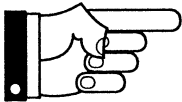
Federal regulations require employers to submit to the IRS copies of all W-4s received during the quarter which claim:

- More than 10 withholding allowances,

OR

- Exemption from withholding when the usual weekly wages will exceed \$200 per week.

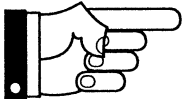
IF	THEN
Form W-4 is sent to IRS	Treat Form W-4 as valid until notified in writing by the IRS on how to handle the employee's withholding for federal withholding purposes. The instructions you receive for federal withholding purposes apply for State withholding purposes unless a DE 4 is filed by the employee.
Form W-4 is not reportable to the IRS but the DE 4 meets the reporting requirements	Employers are required to send a copy of the DE 4 to EDD with the next <i>Quarterly Wage and Withholding Report</i> (DE 6).  Continue to treat DE 4 as valid until notified in writing by the FTB on the proper marital status and number of allowances to use for state withholding purposes for the employee.
An employee disagrees with an IRS determination as it applies to state withholdings	The employee may request a review of the determination by writing to:  Franchise Tax Board W-4 Unit P.O. Box 2952 Sacramento, CA 94240-0000



**NOTE: The burden of proof rests with the employee** to show the IRS determination is incorrect for state withholding purposes. Continue to withhold California PIT based on the IRS determination until notified in writing by the FTB of any changes. In the event the FTB or IRS finds no reasonable basis for the number of withholding exemptions claimed on IRS Form W-4 or DE 4, the employee may be subject to a \$500 penalty.<sup>3</sup>

### WAGE & TAX STATEMENT (FORM W-2)

Prepare the annual wage and tax statements (IRS Form W-2) on the federal/state six-part paper forms. If you need information on the requirements for an IRS form W-2, refer to IRS publication Circular E. The IRS Forms W-2 and W-2C wage and tax statements are no longer submitted to the State of California.



**NOTE: Do not** send W-2s to EDD or the Franchise Tax Board.

<sup>2</sup> Section 31.3402-1, Title 26, Code of Federal Regulations (for requirements)

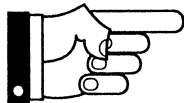
<sup>3</sup> Section 13101 of the CUIIC

## CALIFORNIA PERSONAL INCOME TAX WITHHOLDING

### HOW TO DETERMINE WITHHOLDING AMOUNTS (PIT TABLES)

Refer to page 96 for the California PIT withholding schedule and withholding calculation information for 1998.

### WAGES PAID TO NONRESIDENT EMPLOYEES OF CALIFORNIA



IF	THEN
A nonresident employee performs all services within California	<p>The wages paid to the nonresident employee are subject to withholding and the taxes must be withheld from all wages paid, in accordance with the employee's withholding certificate and the applicable withholding method.</p> <p>The wages paid must be reported as PIT wages on the <i>Quarterly Wage and Withholding Report</i> (DE 6). The PIT withheld must also be reported quarterly to EDD.</p> <p><b>EXCEPTION:</b> Members of the U.S. Armed Forces stationed in California are not subject to California PIT.</p>
A nonresident employee has performed services both within and outside of California	<p>Only the wages for services performed in California are subject to California PIT. These wages must be reported as PIT wages on the <i>Quarterly Wage and Withholding Report</i> (DE 6). The taxes withheld must be reported quarterly to EDD as PIT withheld.</p> <p><b>NOTE:</b> With respect to employee's earnings whose compensation depends on the volume of business transacted, the amount subject to California PIT withholding is that portion of business transacted within California to the total volume of business transacted.</p>

### ADDITIONAL PIT WITHHOLDING

In addition to the tax required to be withheld from salaries and wages, you may, upon written request from the employee, agree to withhold an additional amount from the employee's wages. This agreement will be effective for the periods you and the employee mutually agree upon or until termination of the agreement by written notice.

If employees rely on the W-4 when calculating California withholding allowances, their California PIT could be significantly underwithheld. This is particularly true if the household income is derived from more than one source. If an employee wants more California PIT withheld than the tables and alternate methods allow, the employee should either request additional withholding or, if married, indicate "single" on the DE 4 (the DE 4 provides a full explanation). To obtain copies of the DE 4 notice, use the order form on page 1 or contact your local ETC SO (see the directory on page 8.)

### SUPPLEMENTAL WAGE PAYMENTS



Supplemental wages include, but are not limited to: bonuses, overtime pay, sales awards, commissions, and vacation pay. If supplemental wages are paid after the payment of regular wages, then the method of withholding PIT depends on whether California PIT was withheld from the employee's regular wages.

If California PIT was withheld from the employee's regular wages, you may choose either one of the following methods to withhold PIT on supplemental wages:

- Compute the PIT based on combined regular and supplemental wages. Determine the amount that should be withheld from the regular wages separately. Then subtract this amount from the total amount to be withheld. The difference is the amount to be withheld for supplemental wages; or
- Withhold at a flat 6 percent without allowing for any withholding exemptions claimed by the employee.

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## CALIFORNIA PERSONAL INCOME TAX WITHHOLDING

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### SUPPLEMENTAL WAGE PAYMENTS (cont.)

If you **have not withheld PIT** from an employee's regular wages (e.g., when an employee's withholding exemption exceeds his/her wages), the regular and supplemental wages must be added together and the tax computed on the total amount.

### QUARTERLY ESTIMATE PAYMENTS

Quarterly estimates paid directly to the FTB in lieu of proper withholdings from wages may result in an assessment to the employer. Wages are subject to mandatory PIT withholding at the time they are paid to the employee. Quarterly estimates made to the FTB are intended to satisfy taxes on income not subject to withholding.

### REPORTING STATE DISABILITY INSURANCE (SDI) ON IRS FORM W-2

Employers **must** report to their employees the total amount of SDI withheld from employee wages during the year. Employers covered under the state plan are to enter in **box 21 (or the nearest available box) of IRS Form W-2** the abbreviation "CASDI" and the amount actually withheld. Employers covered under an authorized Voluntary DI Plan for disability insurance are to enter "VPDI" and the amount of deductions actually withheld.

**IF** no boxes are available on IRS Form W-2, you are required to provide your employees with a separate written statement which contains the following:

- Your business or entity name, address, and federal and state employer numbers.
- The employee's name, address, and Social Security Number.
- Amount of disability insurance deductions actually withheld and paid directly by you under the State or Voluntary DI Plan.

**IF** you pay SDI taxes **without** withholding the SDI from the employee's wages, you should show the SDI taxes as if withheld and increase compensation according to the formula as shown on the *Information Sheet, Employee FICA/SDI Taxes Paid By Employer* (DE 231Q). To obtain a copy of the DE 231Q, contact your local ETC SO (see directory on page 8.) You may also contact EDD's Forms Warehouse by calling (916) 322-2835 or FAX (916) 928-5931.

**IF** the wages were not subject for SDI, show "CASDI" 0 (zero).

### MAGNETIC MEDIA REPORTING OF IRS FORMS W-2, W-2C AND 1099-R

**State copies of IRS forms W-2 and W-2C should no longer be submitted to EDD or FTB.** All magnetically filed "IRS forms 1099-R (with and without withholding amounts shown) are now submitted to the FTB. They may be filed on magnetic media through the Combined Federal/State Program or submitted to FTB using one of the following services:

#### US Postal Service at:

Franchise Tax Board  
Attn.: Magnetic Media Unit  
P.O. Box 942840  
Sacramento, CA 94240-6090

OR

#### Private mail carriers at:

Franchise Tax Board  
Service and Supply  
Magnetic Media Unit  
9645 Butterfield Way  
Sacramento, CA 95827

If you have IRS Form 1099-R questions, please contact FTB Information Reporting at (916) 845-6304.

## CALIFORNIA PERSONAL INCOME TAX WITHHOLDING

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### ADDITIONAL INFORMATION

Additional information can be found in the appendix, "Types of Employment" beginning on page 81 and "Types of Payments" beginning on page 89. You may also request the following information sheets by using the order form on page 1 or by contacting your local ETC SO (see the directory on page 8.)

SUBJECT	INFORMATION SHEET/ PUBLICATION NUMBER
Personal Income Tax Withholding: Supplemental Wage Payments & Moving Expense Reimbursement	DE 231PS
Third-Party Sick Pay	DE 231R
Withholding From Pensions, Annuities, and Other Deferred Income	DE 231P
Personal Income Tax Abatement (provides information regarding assessments)	DE 231W

### DID YOU KNOW?

The fields you must complete on the new Payroll Tax Deposit (DE 88), Quarterly Wage and Withholding Report (DE 6), or Annual Reconciliation Return (DE 7), have boxes for each letter or number.

**If you use a typewriter or computer** to complete the forms, you can print across the lines of the boxes.

**Anyone who hand prints** the forms must write one letter or number in each box.

**LABOR MARKET  
INFORMATION  
AVAILABLE  
ON-LINE**

The EDD's Labor Market Information Division (LMID) collects, analyzes, and publishes information about California's labor market that can help with your important business decisions. You can compare wages, benefits, skills and educational requirements for selected occupations and areas throughout the state, or make strategic plans using industry, occupational, and regional trend information. Please contact LMI at (916) 262-2162 to request a complete list of publications and their cost. These publications may also be available at your local public library or EDD office nearest you.

You can now obtain labor market information two ways: from our bulletin board system (BBS) and from our Internet web site. You can view or download the information directly from EDD's LMID 24 hours a day, seven days a week.

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**INFORMATION  
ONLY ON THE  
INTERNET**

The LMID Internet address is:

<http://www.calmis.cahwnet.gov>

Some reports and forms that are available on the Internet are not on the BBS. They include:

- Occupational Outlook Reports from the California Cooperative Occupational Information System.
  - Prevailing Wages Program for Temporary H-1B Visas Request Form.
- 

**THE LMI BULLETIN  
BOARD SYSTEM**

Employers who use the BBS will need the following equipment:

- Computer - almost any computer will work. The BBS operates in the DOS environment, so some files are not available in a Macintosh format.
- Modem - the BBS runs at 14,400 bps, but can accommodate slower speeds.
- Communications Software - any communications software will work, but a full-featured package with BBS terminal emulation is recommended. Set your software to 8 data bits, 1 stop bit, and no parity (8/N/1). Set your terminal emulation to ANSI-BBS or PC BBS.

Set up your system to interact with the BBS and dial **(916) 262-2227**.

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**WHAT KIND OF  
INFORMATION IS  
AVAILABLE ON  
THE INTERNET  
AND BBS?**

You now have immediate access to information that will give you the tools you need to make important business decisions. Our Internet web site and BBS data are organized by subject areas as shown below:

**Agriculture:** Statewide and county employment and earnings data for selected crops and industries.

**Demographics:** Statewide census data, population tables, data for nondiscrimination programs, and income statistics.

**Industry:** Current employment, historical data, projections of employment, hours and earnings, and size of firm data.

**Labor Force:** Monthly labor force by county, Metropolitan Statistical Area, and the state, historical monthly and annual average information, labor market conditions in California, and employment characteristics.

**Labor Market Information Resources:** A collection of files that provide a listing of LMI area analysts, local partners for the California Cooperative Occupational Information System, available publications from LMI Division, and where to get additional labor market data.

**Occupations:** Projections of employment by occupation; the *Digest of Licensed Occupations*, the *California Occupational Guides*, *Important Job Skills for California's Top Fifty Occupations*, and the *Occupational Guide Wage Supplement*.

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**MULTIPLE  
LOCATION  
AND/OR FUNCTION  
EMPLOYERS**

When an employer maintains a business at more than one physical location and/or conducts more than one business activity/function at the same location, the employer is considered to be a multiple establishment employer. These employers may be required to file, on a quarterly basis, the Multiple Worksite Report (BLS 3020). The LMID mails the BLS 3020 to employers who are required to file the report.

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## EMPLOYMENT SERVICES

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### CALIFORNIA'S JOB SERVICE

The EDD recognizes that employers are our primary customers, and provides no-fee employment services in our Job Service offices throughout the state. A search for job applicants can be tailored to meet your requirements, and prescreened job seekers can be interviewed at the site of your choice. In addition, EDD has analysts available to assist employers. Some of the services provided by EDD's Job Service offices are:

- Job Match
- Special Recruitment Services
- Training Program Information
- Employer Incentives
- Labor Market Information (also see page 79)
- Bonding

Call your nearest Job Service office to list your job opening or to request any of the services listed above. Refer to your local telephone white pages under: "Government Listings - State Government Offices - Employment Development Department - Job Service."

To find the name and address of the SDA serving your area, call (916) 654-7110. You may also get this information from your local Job Service office or EDD's home page on the Internet at:

**<http://www.edd.cahwnet.gov>** (then choose [Finding A Job](#) or [Index of Services](#))

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### JOB TRAINING PARTNERSHIP ACT

The federal Job Training Partnership Act (JTPA) authorizes a number of employment and training programs, and distributes more than \$500 million in job training funds annually throughout the state. California has 52 Service Delivery Areas (SDAs) that run JTPA programs. Local programs within each SDA operate through a partnership between local government and private business. Each year, these programs help prepare over 200,000 individuals statewide for participation in the work force, which results in increasing their employment and earning potential and reducing their dependency on welfare.

The JTPA helps economically disadvantaged adults compete in the work force by providing basic education, skills training, and support services. Economically disadvantaged youths learn basic and occupational skills to help them transition from school to work. Workers dislocated due to a plant closure or mass layoff receive job placement assistance, retraining, and special services.

The JTPA offers employers:

- Referral of qualified job applicants who are trained to employer specifications.
- State and federal tax credits for hiring JTPA participants.
- Reimbursement for the extraordinary costs of training participants on the job, up to the equivalent of 50 percent of the new employee's wages.
- Development of customized training packages.
- Assistance for workers dislocated due to plant closings or work force reductions.

To find the name and address of the SDA serving your area, call (916) 654-7110. You may also get this information from your local Job Service office or EDD's home page on the Internet at:

**<http://www.edd.cahwnet.gov>** (then choose [Index of Services](#))

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#### DID YOU KNOW?

Employers are required to keep payroll records for four years. However, EDD suggests payroll records be kept for at least eight years in case of an audit.

## TYPES OF EMPLOYMENT

This table identifies special classes of employment and will help you determine your tax responsibilities. If you have any questions regarding an individual's proper status in working for or with you, please contact your nearest Employment Tax Customer Service Office (ETCSO).

In addition to this table, EDD has prepared the Types of Payments Table beginning on page 89 and several "Information Sheets" for specific industries, types of services or types of payments. You may request these sheets by contacting your local ETCSO, mailing a Requisition for Employment Development Department Forms (DE 3274), or by using the order form provided on page 1 of this guide.

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Agricultural Labor</b> Refer to federal Circular A.	Subject	Subject	Not subject <sup>2</sup>	Reportable
<b>Artists - Authors:</b> A. Common law employees.	Subject	Subject	Subject	Reportable
	Subject	Subject	Not subject	Reportable
B. Statutory employees hired for specific work. Refer to Information Sheet: Statutory Employees (DE 231SE).	Subject	Subject	Not subject	Reportable
<b>Automotive Repair Industry</b> Refer to Information Sheets: Automotive Repair Industry (DE 231B).	Subject	Subject	Subject	Reportable
<b>Barber Shops and Beauty Shops</b> Refer to Information Sheets: Barber and Beauty Shops (DE 231C).	Subject	Subject	Subject	Reportable
<b>Baseball Players</b> Under agreement to perform for a share of the profits and expenses of the club.	Exempt	Exempt	Subject	Reportable
<b>Brokers:</b> A. Real estate broker or salesperson.	Exempt if all three of the following conditions are met: <sup>3</sup>	Exempt if all three of the following conditions are met: <sup>3</sup>	Not Subject if all three of the following conditions are met: <sup>3</sup>	Not reportable if all three of the following conditions are met: <sup>3</sup>
	Exempt if all three of the following conditions are met: <sup>3</sup>	Exempt if all three of the following conditions are met: <sup>3</sup>	Subject	Reportable
	Exempt if all three of the following conditions are met: <sup>3</sup>	Exempt if all three of the following conditions are met: <sup>3</sup>	Not Subject if all three of the following conditions are met: <sup>3</sup>	Not reportable if all three of the following conditions are met: <sup>3</sup>
B. Cemetery broker or salesperson.	Exempt if all three of the following conditions are met: <sup>3</sup>	Exempt if all three of the following conditions are met: <sup>3</sup>	Subject	Reportable
C. Mineral or gas and oil broker.	Exempt if all three of the following conditions are met: <sup>3</sup>	Exempt if all three of the following conditions are met: <sup>3</sup>	Not Subject if all three of the following conditions are met: <sup>3</sup>	Not reportable if all three of the following conditions are met: <sup>3</sup>
<b>Casual Labor:</b> Refer to Information Sheet: Casual Labor (DE 231K). A. Part-time or temporary workers.	Subject	Subject	Subject	Reportable

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<p>B. Service <b>not</b> in the course of employer's trade or business.</p> <p>1. Cash payments.</p> <p>2. Noncash payments (e.g., meals and lodging).</p>	<p>Subject <b>only</b> if \$50 or more is paid in a quarter <b>and</b> employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter.</p> <p>Not Subject</p>	<p>Subject <b>only</b> if \$50 or more is paid in a quarter <b>and</b> employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter.</p> <p>Not Subject</p>	<p>Subject <b>only</b> if \$50 or more is paid in a quarter <b>and</b> employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter.</p> <p>Not Subject</p>	<p>Reportable <b>only</b> if \$50 or more is paid in a quarter <b>and</b> employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter.</p> <p>Not reportable</p>
<p><b>Construction Contractors</b> Refer to Information Sheet: Construction Industry (DE 231G).</p>	<p>Subject unless working as a contractor with a valid contractor's license and not a common-law employee.</p>	<p>Subject unless working as a contractor with a valid contractor's license and not a common-law employee.</p>	<p>Subject unless working as a contractor with a valid contractor's license and not a common-law employee.</p>	<p>Reportable unless working as a contractor with a valid contractor's license and not a common-law employee.</p>
<p><b>Election campaigns</b> Workers for candidates or committees. Refer to Information Sheet: Election Campaign Workers (DE 231V).</p>	<p>Exempt</p>	<p>Exempt</p>	<p>Subject</p>	<p>Reportable</p>
<p><b>Family Employees</b> Minor son or daughter under 18 employed by parent (or by partnership consisting only of parents); wife employed by husband or husband employed by wife; and parent employed by son or daughter.</p>	<p>Exempt - applies only to sole proprietorship and partnerships.</p>	<p>Exempt unless an approved elective coverage agreement is in effect. Refer to page 63. This applies only to sole proprietorship and partnerships.</p>	<p>Subject</p>	<p>Reportable</p>
<p><b>Federal Employees:</b> A. Members of the Armed Forces of the United States.</p> <p>B. Federal civilian employees.</p>	<p>Federal pays cost of benefits.</p>	<p>Exempt - no benefits.</p>	<p>Subject if stationed in and domiciled in California. (Both conditions must be present.)</p>	<p>Reportable if stationed in and domiciled in California. (Both conditions must be present.)</p>
	<p>Federal pays cost of benefits.</p>	<p>Exempt - no benefits.</p>	<p>Subject</p>	<p>Reportable</p>
<p><b>Fishing and related activities</b> Refer to Information Sheet: Commercial Fishing (DE 213CF).</p>	<p>Subject</p>	<p>Subject</p>	<p>Not subject</p>	<p>Reportable</p>
<p><b>Foreign government and international organizations</b> Refer to Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft (DE 231FE).</p>	<p>Exempt</p>	<p>Exempt</p>	<p>Subject</p>	<p>Not reportable</p>

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Foreign service performed by a U.S. citizen:</b>				
A. U.S. Government employee.	Exempt	Exempt	Not subject	Not reportable
B. For an American employer or a foreign subsidiary of U.S. corporations or other private employer. Refer to Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft (DE 231FE).	Subject if employer's principle place of business in the U.S. is in California or <sup>4</sup>	Subject if employer's principle place of business in the U.S. is in California or <sup>4</sup>	Subject if a California resident.	Reportable if a California resident.
C. On or in connection with an American aircraft or vessel operating within or outside the U.S. and such services are subject to FUTA. Refer to Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft (DE 231FE).	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office.	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office.	Subject if services are performed on an aircraft. Not subject if services are performed on a vessel.	Reportable if services are performed on an aircraft. Not subject if services are performed on a vessel.
<b>Golf caddies</b>	Exempt	Exempt	Subject	Reportable
<b>Homeworkers (Industrial)</b>				
A. Common law employees. Refer to Information Sheet: Employment (DE 231).	Subject	Subject	Subject	Reportable
B. Statutory employees. Refer to Information Sheet: Statutory Employees (DE 231SE).	Subject	Subject	Not subject	Reportable
<b>Hotel and Restaurant Industry</b> Refer to Information Sheet: Restaurant and Hotel Industry (DE 231E).	Subject	Subject	Subject	Reportable
<b>Household Employment (Domestic)</b> In private homes, local college clubs, fraternities and sororities. Refer to "HOUSEHOLD EMPLOYERS" on page 21, Information Sheet: Household Employment (DE 231L), and/or Household Employers Guide (DE 8829).	Subject if \$1,000 or more in cash paid in any calendar quarter for household services.	Subject if \$750 or more in cash paid in any calendar quarter for household services.	Not Subject <sup>2</sup>	Reportable if otherwise required to register with EDD.
<b>Insurance Agents or Solicitors</b> Common law employees.	Subject	Subject	Subject	Reportable
<b>Interns working in hospitals</b>	Exempt	<b>Subject</b> if employed by a private nonprofit or district hospital. <b>Exempt</b> if employed by any other hospital.	Subject	Reportable
<b>Janitors (Business Service Industry)</b> Refer to Information Sheet: Services Industry (DE 231I).	Subject	Subject	Subject	Reportable

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Jockey or exercise person working freelance, if licensed by the California Horse Racing Board</b>	Exempt	Exempt	Subject	Reportable
<b>Language Interpreters or Translators</b> Common law employees.	Subject	Subject	Subject	Reportable
<b>Manufacturing Industry</b> Refer to Information Sheet: Manufacturing Industry (DE 231H).	Subject	Subject	Subject	Reportable
<b>Ministers</b> of churches and members of religious orders performing duties as such.	Exempt if performing ministerial or religious duties required by a church or convention of churches or religious order.	Exempt if performing ministerial or religious duties required by a church or convention of churches or religious order.	Not Subject <sup>2</sup>	Not reportable
<b>Musicians</b> Common law employees.	Contact nearest Employment Tax Customer Service Office.	Contact nearest Employment Tax Customer Service Office.	Contact nearest Employment Tax Customer Service Office.	Contact nearest Employment Tax Customer Service Office.
<b>Newspaper</b> carriers under 18 years old delivering to consumers.	Exempt if under 18 and not regular, full-time work.	Exempt if under 18 and not regular, full-time work.	Not Subject <sup>2</sup>	Not reportable
<b>Newspaper</b> and magazine vendors buying at fixed prices and retaining excess from sales to consumers.	Exempt	Exempt	Not Subject	Not reportable
<b>Nonprofit organizations (employees of):</b> Refer to Information Sheet: Nonprofit and/or Public Entities (DE 231NP). A. Churches, convention, or associations of churches, or religious organizations which are operated, primarily for religious purposes and operated, supervised, controlled, or principally supported by a church, convention or association of churches.  B. All other nonprofit organizations exempt under Section 501(c)(3) IRC except those under A. above.  C. All other organizations exempt under Section 501(a) (other than a pension profit-sharing or stock bonus plan described in Section 401(a) or under Section 521 IRC.	Exempt	Exempt unless reportable by nonprofit hospitals.	Subject	Reportable
	Subject (Employees earning less than \$50 in any quarter are exempt.)	Subject (Employees earning less than \$50 in any quarter are exempt.)	Subject	Reportable
	Subject	Subject	Subject	Reportable

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Nonresident of California:</b>				
<b>A. U.S. Resident</b>				
1. Service performed in California.	Subject	Subject	Subject	Reportable
2. Service performed outside U.S.	Subject if employer's principal place of business in U.S. is in California or <sup>4</sup>	Subject if employer's principal place of business in U.S. is in California or <sup>4</sup>	Not subject	Not Reportable
<b>B. Aliens working in California:</b>				
1. Residents of Canada or Mexico, entering California frequently in transportation service across the border.	Subject (unless railroad service)	Subject (unless railroad service)	Not subject	Reportable (unless railroad service)
2. Residents of Mexico entering California frequently for construction, maintenance or operation of waterway, bridge, etc., traversing the border.	Subject	Subject	Not Subject	Reportable
3. Residents of Canada or Mexico, entering California frequently, employed wholly within California.	Subject	Subject	Subject	Reportable
4. Workers from any foreign country or its possession lawfully admitted on a temporary basis to perform agricultural labor.	Subject	Subject	Not subject <sup>2</sup>	Reportable
5. Professional athlete, in California for occasional or incidental engagements.	Exempt	Exempt	Subject	Reportable
<b>Officers of a corporation</b> performing services as an employee:				
A. Corporation subject to FUTA.	Subject	Subject unless sole shareholder or the only shareholder other than his or her spouse has filed for an exclusion.	Subject unless agricultural labor.	Reportable
B. Corporation not subject to FUTA.	Exempt if officers and directors are the sole shareholder or the officer is the only shareholder other than his/her spouse.	Exempt if officers and directors are the sole shareholder or the officer is the only shareholder other than his/her spouse.	Subject unless agricultural labor.	Reportable if otherwise required to register with EDD.
<b>Patients employed by hospitals</b>	Exempt	Exempt unless nonprofit district hospital.	Subject	Reportable

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Private postsecondary school intermittent and adjunct instructors.</b> Institutions covered by Section 9431D of the Education Code may choose to offer an exemption from DI coverage and PIT withholding.	Subject	Exempt if service is performed under a written contract with these provisions. <sup>5</sup>	Not subject if service is performed under a written contract with these provisions. <sup>5</sup>	Reportable
<b>Product Demonstrators</b> Common law employees.	Subject (Contact your local ETC SO for further information.)	Subject (Contact your local ETC SO for further information.)	Subject (Contact your local ETC SO for further information.)	Reportable (Contact your local ETC SO for further information.)
<b>Public Entity Employers</b> City and county employees, local public agency employees, school employees. Refer to Information Sheet: Nonprofit and/or Public Entities (DE 231NP) and Information Sheet: Elective Coverage (DE 231EC).	Subject	Exempt unless an approved elective coverage agreement is in effect.	Subject	Reportable
<b>Restaurant and Hotel Industry:</b> Refer to Information Sheet: Restaurant and Hotel Industry (DE 231E).	Subject	Subject	Subject	Reportable
<b>Salespersons:</b> Refer to Information Sheet: Salespersons (DE 231N). A. Common law employees.  B. Real estate salespersons who are employees.  C. Direct sellers.  D. Statutory Employees Refer to Information Sheet: Statutory Employees (DE 231SE).	Subject	Subject	Subject	Reportable
	Exempt if all three conditions are met. <sup>3</sup>	Exempt if all three conditions are met. <sup>3</sup>	Exempt if all three conditions are met. <sup>3</sup>	Not reportable if all three conditions are met. <sup>3</sup>
	Exempt if all three conditions are met. <sup>3</sup>	Exempt if all three conditions are met. <sup>3</sup>	Exempt if all three conditions are met. <sup>3</sup>	Not reportable if all three conditions are met. <sup>3</sup>
	Subject	Subject	Not subject	Reportable
<b>Self-employed individuals</b> may elect to cover themselves for SDI. Refer to your local ETC SO for additional information.	Not subject	Not subject	Not subject	Not reportable
<b>Standby employee</b> doing no actual work in period for which paid.	Subject	Subject	Subject	Reportable
<b>State government and political subdivisions, services performed as:</b> A. An elected official.	Exempt	Exempt	Subject	Reportable

## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
B. A member of a legislative body, or a member of the judiciary, or a State or political subdivision thereof.	Exempt	Exempt	Subject	Reportable
C. A member of a State National Guard, Ready Reserve or Air National Guard.	Exempt	Exempt	Subject	Reportable
D. An employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.	Exempt	Exempt	Subject	Reportable
E. In a position which, under or pursuant to State law, is designated as either of the following:				
1. A major nontenured policy-making or advisory position.	Exempt	Exempt	Subject	Reportable
2. A policy-making or advisory position, the performance of the duties of which ordinarily does not require more than eight hours per week.	Exempt	Exempt	Subject	Reportable
F. Employees of State, local governments and instrumentality's not included above.	Subject	Exempt except for public housing and District Hospitals.	Subject	Reportable
G. Fees of public officials.	Subject	Subject	Not subject	Reportable
<b>Students:</b>				
A. Student working for a public or private school, college or university, if enrolled and regularly attending classes at that school.	Exempt	Exempt	Subject	Reportable
B. Spouse of student, if such spouse is advised at the time service commences at the school that employment is provided under a program to provide financial assistance to the student by the school, college, or university, and that employment will not be covered by unemployment insurance.	Exempt	Exempt	Subject	Reportable
C. Student under age 22 enrolled in a full-time program at a nonprofit or public education institution. Institution must normally maintain a regular faculty and curriculum and normally have a regularly organized body of students where its educational activities are located. Student's service must be taken for credit at such institution. It must combine academic instruction with work experience. It must be an integral part of such program, and the institution must have so certified to the employer.	Exempt unless program established for or on behalf of an employer or group of employers.	Exempt unless program established for or on behalf of an employer or group of employers.	Subject	Reportable



## TYPES OF EMPLOYMENT

TYPES OF EMPLOYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX*	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
D. Student nurse working for hospital.	Exempt	Subject if employed by a nonprofit or district hospital. Exempt if employed by any other hospital.	Subject	Reportable
E. Full-time student working for an organized camp. A "full-time student" is enrolled for the current term of academic year or, if between terms, for the immediately preceding period with a reasonable assurance of enrollment in the immediately subsequent period. An "organized camp" offers outdoor group living experience for social, spiritual, educational or recreational purposes; must not operate more than seven months a year, or at least 2/3 of its previous yearly gross income must have been in any six of the 12 months of the year.	Exempt	Exempt	Subject	Reportable
<b>Temporary services and employee leasing industry</b> Refer to Information Sheet: Temporary Services and Employment Leasing Industries (DE 231F).	Subject	Subject	Subject	Reportable
<b>Transcriber</b> of depositions, court proceedings, and hearings performed away from the office of the person, firm, or association obligated to produce a transcript of these proceedings.	Exempt	Exempt	Not subject	Not Reportable

1Employers who have elected the "benefit cost reimbursable method" of financing Unemployment Insurance contributions or who have a negative reserve account balance are not required to contribute to the Employment Training Tax fund.

2Subject if employer and employee voluntarily agree to withhold Personal Income Tax.

3a)Substantially all payments are directly related to sales or other output.

b)Services are performed pursuant to a written contract which provides that the individual will not be treated as an employee with respect to those services for State tax purposes.

c)The individual has any license required to perform the services.

4If the employer has no place of business in the U.S. but:

a)The employer is an individual who is a resident of California, or

b)The employer is a corporation which is organized under the laws of California, or

c)The employer is a partnership or a trust and the number of partners or trustees who are residents of California is greater than the number who are residents of any one other state, or

If none of the criteria above applies, but the employer has elected coverage in this state or the employer has not elected coverage in any state and an individual has filed for benefits in California, based on such service.

5a)That any federal or state income tax liability shall be the responsibility of the party providing the services.

b)That no disability insurance coverage is provided under the contract, and

c)That the party performing the services certifies that he or she is doing so as a secondary occupation or as a supplemental source of income.

## TYPES OF PAYMENTS

This table identifies special types of payments and will help you determine your tax responsibilities. If you have any questions regarding how an individual payment is taxed, please contact your nearest Employment Tax Customer Service Office.

In addition to this table, EDD has prepared the Types of Employment Table beginning on page 81 and several "Information Sheets" for specific industries, types of services or types of payments. You may request these sheets by contacting your local ETC SO, mailing a Requisition for Employment Development Department Forms (DE 3274), or by using the order form provided on page 1 of this guide.

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Adoption Assistance</b> Payments as defined in Section 137 of the Internal Revenue Code (IRC):				
A. If adoption assistance program is <u>not</u> under a Section 125 IRC Cafeteria Plan.	Subject	Subject	Not Subject	Not Reportable
B. If adoption assistance program is under a Section 125 IRC Cafeteria Plan:				
• Employer contributions into plan.	Subject	Subject	Not Subject	Not Reportable
• Employee contributions into plan.	Subject	Subject	Not Subject	Not Reportable
• Payments from the plan.	Not Subject	Not Subject	Not Subject	Not Reportable
<b>Board of Directors Fees</b> <b>A director of a corporation or association performing services in the capacity of a director</b>	Not Subject	Not Subject	Subject if a common law employee. Not subject if corporation pays compensation to a nonresident corporate director for director services performed in California.	Reportable if a common law employee. Not reportable if corporation pays compensation to a nonresident corporate director for director services performed in California.
<b>Bonuses</b>	Subject	Subject	Subject	Reportable
<b>Business Expenses</b> Employer repayment of required or necessary business expenses incurred by the employee while performing service for the employer.	Exempt	Exempt	Not subject	Not reportable
<b>Cafeteria plan payments under Section 125 Internal Revenue Code (IRC).</b>	Refer to Information Sheet: Wages (DE 231A).	Refer to Information Sheet: Wages (DE 231A).	Not subject if excluded from taxable income.	Not Reportable if excluded from taxable income.

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Debts Paid by Employer</b> (Amounts in lieu of cash wages offset by the employer):  A. Amounts paid against a debt due from employee.  B. Amounts applied to a debt owed to a third party by the employee.	Subject	Subject	Subject	Reportable
	Subject	Subject	Subject	Reportable
<b>Deceased employee wages</b> Wages paid to beneficiary or estate after the date of the worker's death.	Exempt after the calendar year in which the employee died.	Exempt after the calendar year in which the employee died.	Not subject	Not reportable
<b>Dependent care assistance programs</b> (Limited to \$5,000; \$2,500 if married filing separately.)	Exempt if, at the time paid or furnished, it is reasonable to believe the amounts are excludable from income under Section 129 of the IRC.	Exempt if, at the time paid or furnished, it is reasonable to believe the amounts are excludable from income under Section 129 of the IRC.	Not subject if, at the time paid or furnished, it is reasonable to believe the amounts are excludable from income under Section 129 of the IRC.	Not reportable if, at the time paid or furnished, it is reasonable to believe the amounts are excludable from income under Section 129 of the IRC.
<b>Dismissal or severance pay</b>	Subject unless payments qualify as supplemental UI benefits under Section 1265 CUIIC.	Subject unless payments qualify as supplemental UI benefits under Section 1265 CUIIC	Subject	Reportable
<b>Educational assistance</b> Payments under Section 127 IRC.	Exempt for undergraduate courses from August 20, 1996 through May 31, 1997.	Exempt for undergraduate courses from August 20, 1996 through May 31, 1997.	Not subject until June 1, 1997.	Not reportable if it is excludable from gross income under Section 127 of the IRC.
<b>Employee achievement awards</b>	Exempt if, at the time awarded, it is believed the amount is excludable from gross income under Section 74(c) of the IRC.	Exempt if, at the time awarded, it is believed the amount is excludable from gross income under Section 74(c) of the IRC.	Not subject if, at the time awarded, it is believed the amount is excludable from gross income under Section 74(c) of the IRC.	Not reportable if, at the time awarded, it is believed the amount is excludable from gross income under Section 74(c) of the IRC.
<b>Fringe Benefits:</b> A. Employee use of employer's vehicle for personal use.	Subject	Subject	Subject	Reportable

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
B. Employer paid transportation costs, which have no business connection and are not excluded under Section 132 IRC.	Subject	Subject	Subject	Reportable
C. Employer paid FICA or SDI, or Medicare, or all three. Refer to Information Sheet: Employee FICA/SDI Taxes Paid by Employer (DE 213Q).	Subject	Subject	Subject	Reportable
D. Employer paid FICA or Medicare, or both for domestic service in private home or agricultural labor. Refer to Information Sheet: Employee FICA/SDI Taxes Paid by Employer (DE 231Q).	Exempt	Exempt	Not subject <sup>2</sup>	Not reportable <sup>2</sup>
E. Benefits excluded from federal income tax under Section 132 IRC (i.e., services supplied to employees at no additional cost to the employer, discounts, parking, bus passes, athletic facilities, free coffee, moving expenses, etc.).	Exempt	Exempt	Not subject	Not reportable
<b>Group Legal Service</b>	Subject	Subject	Subject	Reportable
<b>Health plans</b> Employer provided coverage under accident or health plans or medical expense reimbursements.	Exempt	Exempt	Not subject (except 2% shareholder-employees of S corporations).	Not reportable (except 2% shareholder-employees of S corporations).
<b>Life insurance premiums paid on behalf of employees</b>	Exempt	Exempt	Not subject if group-term life insurance.	Not reportable if group-term life insurance.
<b>Lodging</b>	Subject	Subject	Subject unless furnished on employer's premises, for the employer's convenience, and as a condition of employment.	Reportable unless furnished on employer's premises, for the employer's convenience, and as a condition of employment.
<b>Meals</b>	Subject	Subject	Subject unless furnished for employer's convenience and on employer's premises.	Reportable unless furnished for employer's convenience and on employer's premises.

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
<b>Moving Expenses:</b> A. Qualified expenses.	Exempt if you reasonably believe expenses are deductible by the employee under Section 217 IRC.	Exempt if you reasonably believe expenses are deductible by the employee under Section 217 IRC.	Not subject - Beginning January 1, 1996, qualified moving expenses are not subject to PIT withholding. Refer to Section 217 IRC.	Not reportable - Beginning January 1, 1996, qualified moving expenses are not subject to PIT wages. Refer to Section 217 IRC.
	Subject	Subject	Subject	Reportable
<b>Noncash payments:</b> Refer to "Lodging" and "Meals" sections in this table. A. Household employees.	Refer to Household Employer's Guide (DE 8829) or Information Sheet: Domestic Services (DE 231L).	Refer to Household Employer's Guide (DE 8829) or Information Sheet: Domestic Services (DE 231L).	Not subject <sup>2</sup>	Not reportable <sup>2</sup> Refer to Information Sheet (DE 231PITH)
	Not subject	Not subject	Not subject	Not reportable
<b>Railroad Retirement Tax Act and Railroad Unemployment Insurance Act.</b>	Exempt	Exempt	Subject	Reportable
<b>Retirement and pension plans:</b> A. Payments from a qualified plan <sup>3</sup> . Refer to Information Sheet: Withholding from Pensions, Annuities, and Certain Other Deferred Income (DE 231P).  B. Employee contributions to a qualified cash or deferred compensation plan as defined in Section 401(k) of the IRC.  C. Employer contributions to a qualified cash or deferred compensation plan as defined in Section 401(k) of the IRC.  D. Employer contributions to a Simplified Employee Plan-Individual Retirement Arrangement (SEP-IRA) as defined in Section 408(k) of the IRC.	Exempt	Exempt	Subject, unless recipient elects an exemption from withholding on form W-4P or DE 4P.	Not reportable
	Subject	Subject	Not subject if payments are not includable in gross income for California income tax purposes.	Not reportable if payments are not includable in gross income for California income tax purposes.
	Exempt unless the contributions result from a salary reduction agreement.	Exempt unless the contributions result from a salary reduction agreement.	Not subject if payments are not includable in gross income for California income tax purposes.	Not reportable if payments are not includable in gross income for California income tax purposes.
	Exempt unless the contributions result from a salary reduction agreement.	Exempt unless the contributions result from a salary reduction agreement.	Not subject if payments are not includable in gross income for California income tax purposes.	Not reportable if payments are not includable in gross income for California income tax purposes.

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
E. Employer contributions to a Savings incentive Match Plans for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) as defined in Section 408(p) of the IRC.	Exempt unless the contributions result from a salary reduction agreement.	Exempt unless the contributions result from a salary reduction agreement.	Not subject if payments are not includable in gross income for California income tax purposes.	Not reportable if payments are not includable in gross income for California income tax purposes.
F. Employer contributions to a qualified annuity contract as defined in Section 403(a) IRC (applies to Section 501(c)(3) of the IRC organizations and public school employees).	Exempt	Exempt	Not subject	Not reportable
G. Employer contributions to a qualified annuity contract defined in Section 403(b) IRC (applies to Section 501(c)(3) IRC organizations and public school employers).	Exempt unless the contributions result from a salary reduction agreement.	Exempt unless the contributions result from a salary reduction agreement.	Not subject	Not reportable
H. Employer contributions under an exempt governmental deferred compensation plan as defined in Section 3121(v)(3) IRC.	Exempt	Exempt	Not subject	Not reportable
I. Employer contributions to certain nonqualified deferred compensation plans.	Subject when services are performed, or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later.	Subject when services are performed, or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later.	Subject	Reportable
J. Payments upon death or retirement for disability, to employee or his/her dependent made under a plan providing for employees generally.	Exempt	Exempt	Not subject	Not reportable
<b>Salary Advances</b>	Subject	Subject	Subject	Reportable
<b>Scholarship payments, fellowship grants, or tuition reductions.</b>	Exempt if it is reasonable to believe that the benefit is excludable from gross income under Section 117 of the IRC.	Exempt if it is reasonable to believe that the benefit is excludable from gross income under Section 117 of the IRC.	Not subject if it is reasonable to believe that the benefit is excludable from gross income under Section 117 of the IRC.	Not Reportable if it is reasonable to believe that the benefit is excludable from gross income under Section 117 of the IRC.
<b>Sickness or injury payment under:</b> A. Workers' Compensation law.	Exempt	Exempt	Not subject	Not reportable

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
B. Employer plans and contracts of insurance.	Exempt after the end of six calendar months after the calendar month employee last worked for employer.	Exempt after the end of six calendar months after the calendar month employee last worked for employer.	Subject to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee.	Reportable to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee.
C. Sick pay while employed.	Subject	Subject	Subject	Reportable
D. A plan entirely funded by employees.	Exempt	Exempt	Not subject	Not reportable
<b>Sick pay paid by third party payers:</b> Sick pay paid by a third-party payer, such as insurance companies and trusts. Reporting is the responsibility of the last employer if timely notified by the payer. Refer to Information Sheet: Third-Party Sick Pay (DE 231R). A. Third-party payer notifies the recipient's last employer within 15 days after payment.	Subject - <u>recipient's employer</u> is responsible for reporting UI and ETT.	Exempt	Subject if employee requests withholding by filing form DE 4S with the <u>third-party</u> who is responsible for reporting PIT withholding.	Reportable – <u>recipient's employer</u> is responsible for reporting PIT wages.
B. Third-party payer <u>does not</u> notify the recipient's last employer within 15 days after payment. Third-party payer is responsible for reporting UI, ETT, any voluntary PIT withholding, and PIT wages.	Subject	Exempt	Subject if employee requests withholding by filing form DE 4S with the <u>third-party payer</u> .	Reportable – <u>third party payer</u> is responsible for reporting PIT wages.
C. Sick pay paid after the end of six calendar months after the calendar month the employee last worked for the employer.	Exempt	Exempt	Not subject	Not reportable
<b>Supplemental unemployment compensation plan benefits</b> Paid under an employer's plan.	Exempt if Section 1265 CUIC applies.	Exempt if Section 1265 CUIC applies.	Subject	Reportable
<b>Tips:</b> Refer to Information Sheet: Tips (DE 231T). A. Cash tips which are received by the employee while performing services in employment and which are included in a written statement furnished to the employer.	Subject if \$20 or more in a month.	Subject if \$20 or more in a month.	Subject if \$20 or more in a month.	Reportable if \$20 or more in a month.

## TYPES OF PAYMENTS

TYPES OF PAYMENT	TREATMENT FOR TAX PURPOSES			
	UNEMPLOYMENT INSURANCE AND EMPLOYMENT TRAINING TAX <sup>1</sup>	DISABILITY INSURANCE	PERSONAL INCOME TAX WITHHOLDING	PERSONAL INCOME TAX WAGES
B. Employer controlled tips, such as banquet tips, which are received by the employee from the employer while performing services in employment.	Subject	Subject	Subject	Reportable
C. Noncash tips.	Exempt	Exempt	Not subject	Not Reportable
<b>Vacation pay, sick pay and holiday pay</b> Earned but not paid prior to termination of employment.	Exempt	Exempt	Subject	Reportable
<b>Wage limit:</b> Maximum of taxable wages paid each employee by same employer in same calendar year.	\$7,000 (1992 through 1997)  Limit of new owner is reduced by amount of wages paid by predecessor to same employee. Wages paid by other employers are not counted toward the taxable limit. Wage limits are subject to change on an annual basis.	\$31,767 (1992 through 1997)  Limit of new owner is reduced by amount of wages paid by predecessor to same employee. Wages paid by other employers are not counted toward the taxable limit. Wage limits are subject to change on an annual basis.	Unlimited	Unlimited
<b>Workers' Compensation</b>	Exempt	Exempt	Not subject	Not reportable

<sup>1</sup> Employers who have elected the "benefit cost reimbursable method" of financing Unemployment Insurance contributions or that have a negative reserve account balance are not required to contribute to the Employment Training Tax fund.

<sup>2</sup> Subject if employer and employee voluntarily agree to withhold personal income tax.

<sup>3</sup> Pension, annuity, and other deferred income distributions reported on Form 1099R.



## **CALIFORNIA WITHHOLDING SCHEDULES FOR 1998**

### **Method A and Method B**

To review these schedules please refer to the following Web sites on the Internet:

Method A: <http://wwweddd.cahwnet.gov/98metha.pdf>

Method B: <http://wwweddd.cahwnet.gov/98methb.pdf>

If you have any questions about the operation/programming of Method B for computer software, you may contact:

**Franchise Tax Board  
Statistical Research Section  
P.O. Box 942840  
Sacramento, CA 94240**

**Note:** For Married employees with employed spouses, we recommend that either; single filing status be used to compute withholding amounts for the spouse who earns more income or: additional flat amounts be withheld to avoid under withholding of personal income tax.

## DEPARTMENT TERMS

<b>AB</b>	Assembly Bill	<b>IAD</b>	Insurance Accounting Division
<b>ALJ</b>	Administrative Law Judge	<b>IRC</b>	Internal Revenue Code
<b>CCR</b>	Title 22, California Code of Regulations	<b>IRS</b>	Internal Revenue Service
<b>CD</b>	Collection Division	<b>JS</b>	Job Services
<b>CRG</b>	Contribution Rate Group	<b>JTPA</b>	Job Training Partnership Act
<b>CUIC</b>	California Unemployment Insurance Code	<b>LMID</b>	Labor Market Information Division
<b>DBA</b>	Doing Business as (John Jones dba General Supermarket)	<b>PIT</b>	Personal Income Tax (California)
		<b>PRO</b>	Problem Resolution Office (Tax)
<b>DI</b>	Disability Insurance	<b>RUL</b>	Ruling
<b>EDD</b>	Employment Development Department	<b>SB</b>	Senate Bill
<b>EE</b>	Employee	<b>SDA</b>	Service Delivery Area
<b>EFT</b>	Electronic Funds Transfer	<b>SDI</b>	State Disability Insurance
<b>ER</b>	Employer	<b>SIC</b>	Standard Industrial Classification
<b>ETCSO</b>	Employment Tax Customer Service Office	<b>TB</b>	Tax Branch
<b>ETP</b>	Employment Training Panel	<b>TPAD</b>	Tax Processing and Accounting Division
<b>ETT</b>	Employment Training Tax		
<b>FTB</b>	Franchise Tax Board	<b>UI</b>	Unemployment Insurance
<b>FUTA</b>	Federal Unemployment Tax Act	<b>WIP</b>	Wage Item Penalty

## DEFINITIONS

**ACCOUNT NUMBER**

The eight-digit number assigned to each registered employer (e.g., 111-1111-1). Always refer to your account number when communicating with the Department. Omission of your account number may result in delays in processing remittances, reporting documents, and correspondence.

**AUTOMATED CLEARING HOUSE (ACH)**

Any entity that operates as a clearing house for electronic debit or credit entities pursuant to an agreement with an association that is a member of the National ACH Association.

**BASE PERIOD**

A 12-month period beginning five to six quarters prior to the filing of a UI/SDI claim. The base period is determined by the effective date of the UI or SDI claim.

**BASE WAGE FILE**

Employee wages reported by employers are stored in this computer data base. The information is used to determine employee UI and SDI benefits.

**BENEFIT YEAR**

The 52-week period beginning with the Sunday on which the UI/SDI claim is effective.

**CHARGES**

Amounts deducted from an employer's reserve account or amounts reimbursable for state UI benefits paid to former employees.

**CLAIM**

An application for unemployment insurance (UI) or State Disability Insurance (SDI) benefits.

- **UI** - The application which establishes an UI benefit year is called a new claim. Weekly certifications for benefits during the benefit year are called continued claims. When payment of continued claims is interrupted during the benefit year (because a claimant returned to work, or withdrew from the labor market for a time) the renewal is called additional claiming or reopened claim.
- **SDI** - The application which establishes an SDI benefit period is called a first claim. Subsequent certifications on that claim are called continued claims. For each separate period of disability, a new (first) claim must be filed.

## DEFINITIONS (cont.)

<b>CLAIMANT</b>	A wage-earner who files a claim for unemployment or disability insurance benefits.
<b>CONTRIBUTIONS</b>	The CUIC refers to taxes under its provision as “contributions,” except for the Employment Training Tax and Personal Income Tax. In this guide, “contributions” are generally referred to as “taxes.”
<b>COVERED EMPLOYMENT</b>	All employment except that which is specifically excluded under the CUIC.
<b>DEPARTMENT</b>	Employment Development Department.
<b>DEPOSIT</b>	An amount of money sent to EDD during a quarter for employee withholding of PIT and SDI. An employer may voluntarily include prepayments for UI and ETT with their deposit of PIT and SDI. For more information, please refer to page 39.
<b>DETERMINATION</b>	A decision that a claimant is or is not eligible to receive UI/SDI benefits.
<b>DISABILITY BENEFIT PERIOD</b>	The continuous period of disability following the filing of a valid claim for disability insurance benefits.
<b>DISABILITY INSURANCE</b>	Benefits paid to California workers who are unable to work due to an injury or illness not related to their job. Disability insurance, generally referred to as state disability insurance (SDI) is funded by taxes withheld from the employee’s wages.
<b>DISQUALIFICATION</b>	Suspension of benefits for a definite or indefinite period because the claimant did not meet certain eligibility requirements.
<b>DOMESTIC SERVICES</b>	Also known as “household service,” describes “employment of a household nature.”
<b>ELECTRONIC FUNDS TRANSFER (EFT)</b>	“Electronic Funds Transfer” is a term that identifies the type of systems used to transfer payments or funds electronically. EFT refers to any transfer of funds (other than a transaction originated by check, draft, or similar paper instrument) that is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape, ordering, instructing, or authorizing a financial institution to debit or credit an account.
<b>EMPLOYEE</b>	A wage-earner in employment covered by the CUIC.
<b>EMPLOYMENT PAYROLL TAXES</b>	California personal income tax, state disability insurance withholding, and unemployment insurance, and employment training taxes.
<b>EMPLOYER NOTICES</b>	Forms mailed to notify the employer of matters affecting the employer’s interest.
<b>EMPLOYMENT TRAINING FUND</b>	Provides UI claimants, individuals who have exhausted their UI benefits, and the potentially displaced workers who would otherwise become UI claimants with specific skills for career advancements and for jobs which have career potential and long-term security.
<b>EMPLOYMENT TRAINING PANEL</b>	Administers training funds to train employees with skills needed by employers. Funds may be used to train unemployed individuals or current workers who need to strengthen their skills for today’s workplace.
<b>EXEMPT EMPLOYMENT</b>	Employment specifically excluded from coverage under CUIC.
<b>EXPERIENCE RATING</b>	The system by which an employer’s UI contribution rate is determined each calendar year based on employment experience.

## DEFINITIONS (cont.)

<b>GOOD CAUSE</b>	Circumstances that occur, usually outside the employer's control (for example, floods, earthquake, etc.). When good cause exists, the Department will extend the filing date for forms.
<b>HOUSEHOLD EMPLOYMENT</b>	Also known as "domestic service," describes "employment of a household nature."
<b>INITIATION DATE</b>	The date an EFT filer instructs either a financial institution or the state's data collector to process the transfer of funds. It is completed via telephone or personal computer. For debit transactions, it is the day before the settlement date if completed by 3:00 p.m., Pacific Standard Time. For credit transactions, it is based on the individual bank requirements.
<b>NEW EMPLOYER</b>	California employers are considered new employers for up to three tax years after registering with EDD. During this period, these employers have a UI tax rate of 3.4 percent (.034). New employers also pay ETT, SDI withholding, and PIT withholding.
<b>PERSONAL INCOME TAX WAGES</b>	All wages paid during the period that are subject to personal income tax (PIT) even if they are not subject to PIT withholding. PIT wages consist of all compensation for service by an employee for his/her employer and include, but are not limited to: salaries, fees, bonuses, commissions, and payments in forms other than cash or checks. Wages in any form other than cash or checks are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services. The calendar year total for PIT wages should agree with the amount reported on an individual's <i>Wage and Tax Statement</i> , W-2, in Box 17 (State Wages, Tips, etc.).
<b>PREDECESSOR</b>	A previous ownership, registered as a subject employer.
<b>PREPAYMENTS (UI AND ETT)</b>	Money, that is not due until the end of a quarter, that an employer voluntarily sends to the Department during a quarter for UI and ETT.
<b>REIMBURSEABLE EMPLOYER</b>	A nonprofit employer who is permitted by the California Unemployment Insurance Code to be billed for UI benefits after they are paid to former employees. This employer cannot receive a ruling relieving him/her of UI benefit charges.
<b>RESERVE ACCOUNT</b>	A book account kept for each tax rated employer to measure employment experience and set the unemployment insurance contribution rate.
<b>RULING ON BENEFIT CLAIM</b>	For tax rated employers, an eligibility decision issued in response to a timely protest.
<b>RULING ON TAX QUESTION</b>	A decision, in writing, as to an employer's subject status or tax liability in the stated circumstances.
<b>S CORPORATION</b>	A qualified corporation that chooses to be generally exempt from federal income tax. Its shareholders must include in their income their share of the corporations separately stated items of income, deduction, loss and credit, and their share of nonseparately stated income or loss.
<b>SETTLEMENT DATE</b>	The date an exchange of funds with respect to an entry is reflected on the books of the Federal Reserve Bank(s); also, into the state's bank account.
<b>SOCIAL SECURITY NUMBER (SSN)</b>	All wage records and claim actions are filed under this number, rather than by name. A correct SSN is essential for reference in correspondence.
<b>STATE</b>	State of California.

## DEFINITIONS (cont.)

<b>STATE DISABILITY INSURANCE</b>	Benefits paid to California workers who are unable to work due to an injury or illness not related to their job. State Disability Insurance is funded by taxes withheld from the employee's wages.
<b>SUBJECT EMPLOYER</b>	An employer who is liable to the rules and regulations of the CUIIC.
<b>SUBJECT QUARTER</b>	Calendar quarter when an employer meets the requirements for reporting their payroll taxes.
<b>SUBJECT WAGES</b>	Subject wages are used to determine UI and SDI benefits. Generally, all wages are considered subject wages regardless of the \$7,000 UI and \$31,767 SDI taxable wage limits. For special classes of employment and payments that may not be considered subject wages, refer to the Appendix, "Types of Employment," beginning on page 81, and "Types of Payments" beginning on page 89.
<b>SUCCESSOR</b>	A change in ownership, or a new ownership, of a business already registered as an employer. A new registration is required for either.
<b>TAX LIMITS</b>	The maximum amount of UI contribution, ETT and SDI withholding that an employer must send to EDD for each employee during a calendar year.
<b>TAX RATED EMPLOYER</b>	An employer who is required by the CUIIC to register with EDD and pay UI contributions each quarter on the first \$7,000 of wages paid to their employees.
<b>TAXABLE WAGES</b>	Compensation paid for "covered employment" up to the tax limits for the year. Compensation includes wages and allowances such as meals, lodging and other payments in lieu of money for services rendered in employment. California PIT treatment may differ.
<b>UNEMPLOYMENT INSURANCE</b>	Benefits paid to California workers who are unemployed. Recipients must meet the qualifications for benefits as outlined by the CUIIC.
<b>UI AND ETT PREPAYMENT</b>	Money, not due until the end of a quarter, that an employer voluntarily sends to the Department during a quarter for UI and ETT.
<b>VOLUNTARY DI PLAN</b>	Disability insurance by a private plan rather than under the State Plan.
<b>VOLUNTARY UI PAYMENTS</b>	Under a program established by the California State Legislature, employers are permitted to make a payment to their UI reserve account to reduce their UI tax rate. This program is in effect when the UI rate schedule is AA through D. An employer who chooses to participate in this program cannot receive a refund of money paid even if the amount does not result in a reduction of the employer's UI tax rate.
<b>WAGE DETAIL</b>	<i>Quarterly Wage and Withholding Report</i> (DE 6) listing employee(s), earnings, and PIT filed each quarter.

TOPIC	PAGE #
ADJUSTMENTS .....	57
ALIENS EMPLOYED IN CALIFORNIA .....	85
ALTERNATE FORMS .....	17
ANNUAL RECONCILIATION RETURN:	
Correcting Errors .....	56
Common Errors .....	56
Due Dates.....	56
Lost Forms.....	17, 56
Ordering Forms.....	56
ANNUITIES.....	92, 93
APPEAL RIGHTS:	
Tax Rates .....	61
Unemployment Insurance (UI) Claims .....	67
BACK PAY AWARD .....	69
BENEFIT AUDITS .....	68
BENEFITS:	
State Disability Insurance (SDI).....	72, 73
Unemployment Insurance (UI).....	63
BILLINGS:	
Reimbursable UI Method.....	59
Employer Account Statement (DE 2176) .....	58
BONUSES .....	89
BRANCH CODE REPORTING .....	54
CLAIM NOTICES:	
Notice of Claim Filed (DE 1101CZ).....	65
Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545).....	65
Notice of State Disability Claim Filed (DE 2503).....	72
COMMISSIONS.....	76, 77
CORRECTION OF REPORTS.....	57
COST OF BENEFITS METHOD .....	59
DEFERRED INCOME (Retirement) .....	92
DEPOSITS:	
Delinquent Deposits .....	46
Deposit Due .....	39 - 41
Deposit Requirements.....	39
Electronic Funds Transfer (EFT) .....	15, 39
DISABILITY INSURANCE:	
Self-Employed Disability Insurance (for employers) .....	73
State Disability Insurance (SDI) .....	72
Voluntary Plan Disability Insurance (for employees) .....	73
DISCHARGE.....	34, 35
DOMESTIC SERVICE EMPLOYERS: SEE HOUSEHOLD EMPLOYMENT .....	26
ELECTIVE COVERAGE (Disability Insurance).....	73
ELECTRONIC FUNDS TRANSFER (EFT):	
Definition.....	15
Filing Information .....	39
EMPLOYEE: DEFINITION.....	27
EMPLOYEE RIGHTS NOTICES.....	34
EMPLOYEE OR INDEPENDENT CONTRACTOR .....	27

TOPIC	PAGE #
EMPLOYER:	
Definition.....	26
How to Register .....	29
When Do You Become Subject .....	28
EMPLOYER ACCOUNT STATEMENT .....	58
EMPLOYER NOTICES:	
Notice of Claim Filed (DE 1101CZ) .....	65
Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545).....	65
Notice of Determination/Ruling (DE 1080CT) .....	67
Notice of Modification (DE 1080M) .....	67
Notice of State Disability Claim Filed (DE 2503).....	72
EMPLOYER OBLIGATIONS FOR DE 4 OR W-4 .....	75
EMPLOYER UI CONTRIBUTION RATES .....	60
EMPLOYMENT SERVICES.....	80
EMPLOYMENT TRAINING PANEL .....	71
EMPLOYMENT TRAINING TAX.....	20, 71
ENTITY CHANGE .....	30, 31
ESCROW CLEARANCE.....	30
EXPERIENCE RATING .....	59
FALSE STATEMENT PENALTY, NOTICE OF DETERMINATION AND/OR	
ASSESSMENT ON EMPLOYER FALSE STATEMENT (DE 3807) .....	66
FIRING AN EMPLOYEE.....	34, 35
FOREIGN CITIZENS EMPLOYED IN CALIFORNIA .....	85
FOREIGN EMPLOYMENT BY A U.S. CITIZEN .....	84, 85
FORMS:	
Alternate Forms .....	17
Corrections to Forms.....	47, 54, 56 - 58
Delinquent Forms.....	40, 46, 50, 56
Forms Publication .....	15
Informal Reports .....	17
Lost Forms .....	17
Ordering Forms.....	1, 38, 54, 56
Samples.....	35, 38, 49, 55
FRANCHISE TAX BOARD (FTB):	
Correcting Personal Income Tax Reporting Errors .....	47
Personal Income Tax (PIT).....	74 - 78
Tax Tables .....	96 - 126
HOUSEHOLD EMPLOYMENT .....	26
INCOME:	
Deferred Compensation (Retirement and Pension Plan) .....	92
INCOME TAX:	
Personal Income Tax Withholding Tables .....	96 - 126
INDEPENDENT CONTRACTOR OR EMPLOYEE .....	27
JOB SERVICES.....	80
JOB TRAINING PARTNERSHIP ACT (JTPA) .....	80

TOPIC	PAGE #
LAYOFF.....	34, 35
Rapid Response Team.....	35
Worker Adjustment and Retraining Notification Act (WARN ACT) .....	35
LEASING AGENCY EMPLOYERS .....	88
LEAVE OF ABSENCE.....	34, 35
LIMITED LIABILITY COMPANY .....	29
MAGNETIC MEDIA:	
Definition.....	16
Reporting.....	16
MARITAL STATUS FOR PERSONAL INCOME TAX REPORTING.....	74
MEALS AND LODGING .....	91
MOVING EXPENSE REIMBURSEMENTS .....	92
MULTIPLE LOCATION AND/OR FUNCTION EMPLOYERS .....	54
NEW EMPLOYEE REGISTRY (NER).....	36
NEW EMPLOYER ETT RATE .....	71
NEW EMPLOYER UI TAX RATE.....	60
NONRESIDENT EMPLOYEES.....	85
NOTICE OF CLAIM FILED (DE 1101CZ).....	65
NOTICE OF WAGES USED FOR UNEMPLOYMENT INSURANCE (UI)	
CLAIM (DE 1545).....	65
NOTICE OF STATE DISABILITY CLAIM FILED (DE 2503).....	72
NOTICES FOR EMPLOYEES .....	34, 35
OBTAINING AN EMPLOYER ACCOUNT NUMBER .....	29
OFFICE OF THE TAXPAYER RIGHTS ADVOCATE.....	19
ORDERING EDD REPORTING FORMS .....	1, 38, 54, 56
OPTICAL CHARACTER RECOGNITION.....	17
OVERPAYMENTS	
Correcting Prior DE 88 .....	47, 57
Correcting Prior DE 7 .....	56, 57
Tax and Wage Adjustments Form (Refunds) .....	57
Unemployment Insurance Benefits Audits.....	68
PAYROLL TAX DEPOSITS:	
Common Errors to Avoid.....	46
Corrections .....	47, 57
Delinquent Deposits .....	46
Deposit Requirements.....	39
Electronic Funds Transfer (EFT).....	15, 39
Ordering Deposit Coupons .....	38
Personal Income Tax (PIT) Tables .....	96 - 126
Types of Employment Table .....	81
Types of Payment Table .....	89
PENALTIES:	
Delinquent Forms.....	40, 46, 47, 50, 56
Delinquent Payments .....	46, 47
Employer Account Statement (DE 2176) .....	58
False Statement (UI).....	66
PENSIONS .....	92



TOPIC	PAGE #
PERSONAL INCOME TAX (PIT)	
Correcting Errors.....	47
Marital Status.....	74
Tax Tables.....	96 - 126
Withholding.....	76
PIT WAGES.....	32
PLANT CLOSURES.....	35, 36
PROBLEM RESOLUTION OFFICE (TAX).....	19
PROTESTS:	
Notice of Claim Filed (DE 1101CZ).....	65
Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545).....	65
Notice of State Disability Claim Filed (DE 2503).....	72
Statement of Charges to Reserve Account (DE 428T).....	61, 62
PUBLIC ENTITIES.....	86
PURCHASE, SALE, TRANSFER, OR ENTITY CHANGE.....	30
QUARTERLY WAGE AND WITHHOLDING REPORT:	
Correcting Errors.....	54, 57
Delinquent Forms.....	50
Due Dates.....	50
Lost Forms.....	17
Ordering Forms.....	1, 49
Preparation of Quarterly Wage and Withholding Report (DE 6).....	51, 52
QUARTERLY PERSONAL INCOME TAX ESTIMATED PAYMENTS.....	77
QUITTING BUSINESS.....	30, 31
RAPID RESPONSE TEAM.....	35
RATE NOTICE:	
UI Tax Rates.....	60
Experience Rating.....	59
RECORD KEEPING.....	37
REFERRALS (Information and Assistance).....	11
REGISTRATION FOR EMPLOYER ACCOUNT NUMBER:	
When Do You Become a Subject Employer.....	28
How to Register.....	29
REIMBURSABLE METHOD OF FINANCING UNEMPLOYMENT INSURANCE (UI).....	59
REIMBURSEMENT, MOVING EXPENSES.....	92
RESERVE ACCOUNT:	
Charges.....	61
Experience Rating.....	59
Rate Notice (DE 2088).....	60
Reserve Account Transfers (Successor Employers).....	60
RETIREMENT PENSIONS.....	92
RULINGS:	
Notice of Claim Filed (DE 1101CZ).....	67
Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545).....	67
SALE OF A BUSINESS.....	30
SALES AWARDS.....	76
SCHEDULE OF EMPLOYER REQUIREMENTS.....	21
SCHOOL EMPLOYEES FUND (SEF).....	59
SICK PAY.....	93, 94
SOLE SHAREHOLDER - CORPORATE OFFICER.....	28, 85

<b>TOPIC</b>	<b>PAGE #</b>
STATE DISABILITY INSURANCE (SDI):	
Benefits .....	72, 73
Elective Coverage .....	73
Employer Responsibilities .....	72, 73
Voluntary DI Plan .....	73
Who is Covered .....	72, 73
Who Pays .....	72
STRIKES .....	64
SUBJECT WAGES .....	32, 81 - 89
SUCCESSOR EMPLOYER .....	30, 60
SUPPLEMENTAL WAGE PAYMENTS:	
Back Pay .....	76
Bonuses .....	76
Commissions .....	76
Overtime Pay .....	76
Reimbursement for Nondeductible Moving Expenses .....	92
Sales Awards .....	76
Vacation Pay .....	76, 95
TAX RATES:	
Experience Rating .....	59
Tips for Reducing UI Rates .....	62
Notice of Contribution Rates and Statement of UI Reserve Account (DE 2088) .....	60
TAX WITHHOLDING DEPOSIT:	
Delinquent Deposits .....	46, 47
Deposit Requirements .....	39, 40
Electronic Funds Transfer (EFT) .....	15, 39
Personal Income Tax Tables (PIT) .....	96 - 126
Types of Employment Table .....	81
Types of Payments Table .....	89
TAX WITHHOLDING TABLES .....	96 - 126
TAXES:	
Withholding Exemptions and Allowances .....	74 - 78
Who is Subject .....	26
Who Must Report .....	28
TAXPAYER RIGHTS ADVOCATE .....	19
TEMPORARY EMPLOYMENT SERVICE AGENCY .....	88
TERMINATION .....	34, 35
THIRD PARTY SICK PAY .....	94
TIPS .....	94
TIPS FOR REDUCING UNEMPLOYMENT INSURANCE TAX RATES .....	62
TRADE DISPUTES .....	64
TRANSFER OF A BUSINESS, SUCCESSOR EMPLOYER .....	30, 60

# INDEX

---

TOPIC	PAGE #
UNEMPLOYMENT INSURANCE(UI):	
Benefits .....	63 - 68
Contribution Rate .....	60
Employer Responsibilities .....	65 - 66
VACATION PAY .....	95
VESSEL EMPLOYMENT (AMERICAN).....	82, 83
VOLUNTARY DISABILITY INSURANCE PLAN.....	73
VOLUNTARY UI CONTRIBUTION.....	61
WAGES:	
Subject to:	
Employment Training Tax.....	20, 71
Personal Income Tax.....	20, 74 - 78
State Disability Insurance Tax.....	20, 72 - 73
Supplemental Wages.....	76
Unemployment Insurance Tax .....	20, 60, 61
WARN ACT .....	35
WITHHOLDING DEPOSIT:	
Delinquent Deposits.....	46, 47
Deposit Requirements .....	39
Electronic Funds Transfer (EFT) .....	15, 39
Marital Status .....	74
Personal Income Tax Tables (PIT).....	96 - 126
Types of Employment Table .....	81
Types of Payments Table .....	89
WITHHOLDING EXEMPTIONS AND ALLOWANCES .....	74
WITHHOLDING STATEMENTS:	
Wage and Tax Statement (W-2) .....	75
Federal Employee's Withholding Allowance Certificate (W-4) .....	74, 75
California Employee's Withholding Allowance Certificate (DE-4) .....	74, 75
WORK SHARING PROGRAM .....	69
WORKERS' COMPENSATION INSURANCE.....	73